SUPREME COURT, U.

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1963

No. 75

ARO MANUFACTURING CO., INC., ET AL.,
PETITIONERS,

vs.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

PETITION FOR CERTIORARI FILED FEBRUARY 15, 1963
CERTIORARI GRANTED APRIL 1, 1963

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APPENDIX

UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF MASSACHUSETTS

Civil Action No. 56-357-J

CONVERTIBLE TOP REPLACEMENT CO., INC.

v.

ARO MANUFACTURING CO., INC., ET AL.

Judgment

August 29, 1961

JULIAN, D. J.

This cause came on to be heard on the defendants' motion for entry of judgment after the issuance of the mandate of the Supreme Court of the United States on April 20, 1961. Counsel for the plaintiff and for the defendants submitted memoranda respectively in opposition to and in support of the motion. Upon consideration thereof it is

ORDERED, ADJUDGED and DECREED as follows:

1) That U. S. Letters Patent No. 2,569,724, issued October 2, 1951, to Harry A. Mackie and Stanley Duluk for "Convertible Folding Top with Automatic Seal at Rear Quarter," hereinafter called the Mackie-Duluk patent, is good and valid in law as to claims 3, 4, 5, 7, 8, 9 and 10 thereof;

2) That the plaintiff, Convertible Top Replacement Co., Inc., is, by virtue of a territorial grant, possessed of the right, title and interest in and to said Mackie-Duluk patent for, to and in the Commonwealth of Massachusetts;

3) That the defendants, comprising the corporate defendant Aro Manufacturing Co., Inc., and the defendants Mae Shapiro, George Shapiro, Marshall Shapiro, Harold R. Shapiro and John Raymond Hamlin, individually and as a co-partnership doing business as Aro Top Sales Com-

pany, have not either directly or contributorily infringed claims 3, 4, 5, 7, 8, 9 and 10 of the said Mackie-Duluk patent or any of said claims;

4) That the plaintiff's complaint as amended be and it is hereby dismissed;

5) That the defendants recover from the plaintiff the costs of the action taxed at $

6) That the defendants' counterclaim be and it is hereby dismissed without costs.

By the Court,
s/ FRANCES R. FOLEY

s/ ANTHONY JULIAN
United States District Judge

Judgment entered August 29, 1961.

Amended Judgment
February 16, 1962

JULIAN, D. J.

This cause came on to be heard on the defendants' motion to amend the judgment entered on August 29, 1961, and was argued by counsel. Upon consideration thereof, so much of the motion as seeks to strike out paragraph 1) of the judgment and to amend paragraph 6) thereof is hereby granted. Paragraph 3 of the defendants' motion is hereby denied.

The judgment of August 29, 1961, is hereby amended to read as follows:

It is ORDERED, ADJUDGED and DECREED,

1) That the plaintiff, Convertible Top Replacement Co., Inc., is, by virtue of a territorial grant, possessed of the right, title and interest in and to U. S. Letters Patent No. 2,569,724 issued October 2, 1951, to Harry A. Mackie and

Stanley Duluk for "Convertible Folding Top with Automatic Seal at Rear Quarter" (hereinafter called the Mackie-Duluk patent) for, to and in the Commonwealth of Massachusetts;

2) That the defendants, comprising the corporate defendant Aro Manufacturing Co., Inc., and the defendants Mae Shapiro, George Shapiro, Marshall Shapiro, Harold R. Shapiro and John Raymond Hamlin, individually and as a co-partnership doing business as Aro Top Sales Company, have not either directly or contributorily infringed claims 3, 4, 5, 7, 8, 9 and 10 of the said Mackie-Duluk patent or any of said claims;

3) That the plaintiff's complaint as amended be and it is hereby dismissed;

4) That the defendants recover from the plaintiff the costs of the action taxed at $3,841.77;

5) That the defendants' counterclaim for a declaratory judgment under 28 U.S.C. 2201 be and it is hereby dismissed without prejudice and without costs.

By the Court,

s/ FRANCES R. FOLEY
Deputy Clerk

s/ ANTHONY JULIAN
U. S. District Judge

No. 56-357-A

CONVERTIBLE TOP REPLACEMENT CO. INC.

v.

ARO MANUFACTURING CO., INC.
MAE SHAPERO, AND
GEORGE SHAPERO
HAROLD R. SHAPIRO
MARSHALL SHAPIRO
AND
JOHN RAYMOND HAMLIN

Basis of action; Infringement of Patent No. 2,569,724
Injunction; accounting; costs.

DOCKET ENTRIES

1956		
Sept.	15	Defts' interrogatories under R 33, filed.
Oct.	30	Plf's answers to interrogatories under R 33, filed.
Dec.	6	Defendants' request for admission, filed. (No. 2).
	17	Plf's answer to interrogatory 12(b), filed.
1957		
Jan.	24	Plf's answers to requests for admission, filed.
Apr.	30	Defts' further request for admission filed.
May	9	Plaintiff's answers to defts' further requests for admission, with cert of service, filed.
1958		
June	30	List of defts' requests for admissions filed.
July	17	Pltf's answers to defts' additional requests for admission, filed. Cert. of service attached thereto
1959		
Sept.	17	Defendants' ints re accounting filed.
	24	Plf's motion for entry of injunction pursuant to interlocutory judgment filed.

1959

Oct. 2 ALDRICH, CIRCUIT JUDGE
Hearing on motion for entry of injunction pursuant to interlocutory judgment; plaintiff's brief due in one week (Oct. 9, 59, no later); defts to have 5 business days to reply from receipt of copy of brief.

2 ALDRICH, CIRCUIT JUDGE
Hearing on plaintiff's motion for leave to file supplemental pleading; advisement.

6 Plf's answers to ints re accounting, with certificate of service of copy this date upon defts, filed.

8 Plf's supplemental memo in support of its motion for leave to file supplemental pleading, filed.

27 ALDRICH, CIRCUIT JUDGE
MEMORANDUM filed: plaintiff's motion to file a supplemental pleading is denied; on plaintiff's motion for injunction, stay of injunction will not be revoked at this time. Copy to Messrs Power, Wolf and Hulbert.

1960

Jan. 20 Interim report of special master, W. R. Hulbert, filed: All testimony and documentary evidence of parties re accounting received; plf's brief rec'd Jan. 7, 60; defts' brief due Jan. 27, 60; plf to have 20d after defts' brief for reply brief; after study of same, master will advise parties if he wishes hear arguments.

Mar. 11 Defendants' motion to stay the accounting filed.

11 Defts' memorandum in support of motion to stay filed.

Apr. 11 JULIAN, J. Defendants' motion to stay accounting, under advisement after hearing.

15 JULIAN, J. Motion to stay accounting granted; ORDERED that all proceedings re accounting be

1960

stayed until further order of the Court. Notice to Messrs Power, Wolf, Hulbert, Pollock.

Aug. 3 Court Reporter's transcript of hearing Apr. 11 60 on motion to stay accounting, filed:

1961

Apr. 21 Certified copy of judgment w/Opinion dtd Feb. 27, 1961 from Supreme Court of the U. S. filed. —ON WRIT OF CERTIORARI to the United States Court of Appeals for the First Circuit.

THIS CAUSE came on to be heard on the transcript of the record from the United States Court of Appeals for the First Circuit, and was argued by counsel.

ON CONSIDERATION WHEREOF, It is ordered and adjudged by this Court that the judgment of the said U. S. Court of Appeals, in this cause, be, and the same is hereby, reversed with costs; and that this cause be, and the same is hereby, remanded to the United States District Court for the District of Massachusetts for proceedings in conformity with the opinion of this Court.

It is further ordered that the said petitioners, Aro Mfg. Co., Inc. et al., recover from Convertible Top Replacement Co., Inc. Three Hundred and Seventy-three Dollars and Ninety-two Cents ($373.92) for their costs herein expended and have execution therefor.

Clerk's costs	$203.56
Printing part of record	170.36
Total	$373.92

Concurring opinion by Mr. Justice Black.

Separate opinion by Mr. Justice Brennan concurring in the result.

1961

Dissenting opinion by Mr. Justice Harlan with whom Mr. Justice Frankfurter and Mr. Justice Stewart join.

May 1 Defendants' motion for entry of judgment filed.

11 Defendants' motion for order directing plaintiff to post a bond, filed.

11 Defendants' memo in support of said motion, filed.

(Filed with memo the following:
Brief for petitioners. (Aro et al); Reply brief for petitioners; Brief for respondent (Convertible Top); Respondent's petition for limited rehearing, or in alternative, motion for amendment or clarification of court's opinion; Vols 1, 11, 111, Transcript of Record on petition for cert granted Feb. 29, 60.)

12 Memorandum in opposition to defts' "Motion for entry of judgment" and to the form and contents of proposed judgment, filed.

19 Memorandum in support of defts' motion for entry of judgment in their favor, filed.

22 Memorandum in opposition to defts' motion for order directing plaintiff to post a bond, filed.

Aug. 29 JULIAN, J. JUDGMENT entered:

ORDERED, ADJUGED AND DECREEDS

1. USLP No. 2,569,724 . . . called the Mackie-Duluk patent, good and valid in law as to claims 3, 4, 5, 7, 8, 9, and 10;
2. Plaintiff, Convertible Top Replacement Co., Inc, . . . is possessed of right, title and interest in and to said patent for, to and in the Commonwealth of Mass;
3. Defendants, comprising the corporate defendant, Aro Mfg Co., Inc., and defts Mac, George,

1961

Marshall, Harold R. Shapiro and John Raymond Hamlin, individually and as a copartnership dba Aro Top-Sales Co., have not directly or contributorly infringed said claims (above);

4. plaintiff's complaint as amended be and it is hereby dismissed;
5. Defendants to recover from plaintiff costs of action taxed at $;
6. Defendants' counterclaim be and it is hereby dismissed without costs.

Copy to Messrs Power and Wolf.

Sept. 8 Motion for Amendment of Judgment filed by defendants.

Oct. 18 Letter to Court dated Oct. 17, 1961 re submission of further memoranda on matter of final judgment

27 Plaintiff's Memo of Points and authorities in opposition to defts' motion for amendment of judgment and proposed findings of fact and conclusions.

Nov. 3 Defendants' reply to plaintiff's memorandum of Oct. 27, 1961 opposing motion to amend final judgment of Aug. 29, 61 filed.

9 Letter from Elliott I Pollock of counsel for plaintiff dated November 8, 1961 addressed to Court, on subject matter of references made by defendants in Memo Nov. 3, 61, and quotations set out therein. Plaintiff's objections to defendants' bill of costs filed Oct. 27,, 61, filed.

1962

Jan. 5 Defts' motion for amendment of judgment, under advisement after hearing.

1962

Mar. 6 Plaintiff motion for rehearing on assessment of costs filed.

7 JULIAN, J. Plaintiff motion for rehearing on assessment of costs denied. Counsel notified.

20 List of Materials filed with the Clerk, by Wm. R. Hulbert, Esq., as Master . . . with letter of transmittal.

DEFENDANTS' ANSWER

The Defendants in the above-entitled action collectively answer the Plaintiff's complaint as follows:

* * *

16) The Plaintiff has entered license agreements and/or has conspired with others to enter license agreements and has caused said agreements to be completed which in effect require licensees to pay royalties on structures not claimed in said patent and to pay royalties on structures which, if performed by others without patentee's consent, would not constitute contributory infringement of said patent and have thereby misused or caused said patent to be misused.

17) Plaintiff is closely associated with the Automobile Body Research Corporation and is controlled by or alternately controls said Automobile Body Research Corporation and/or alternately said Plaintiff and Automobile Body Research Corporation have common ownership and thereby constitute mere alter egos of one another. Said Plaintiff was organized for the purpose of this suit and assigned the ownership of said Patent No. 2,569,724 for the Commonwealth of Massachusetts for the sole purpose of avoiding direct charges against the Automobile Body Research Corporation of misuse of said patent. Said Automobile Body Research Corporation has entered into at least one

licensing agreement and/or has caused others to be sub-licensed under agreements improperly extending the scope of the claimed subject matter of said patent and has thereby misused said patent and has improperly restrained commerce. By virtue of the foregoing facts, the Plaintiff is chargeable with misuse of said Automobile Body Research Corporation, and for that reason, said Letters Patent is uninforcible.

18) Plaintiff is the mere alter ego of Automobile Body Research Corporation and/or is in privity with it as set forth in the preceding paragraph. Automobile Body Research Corporation is the owner of United States Letters Patent No. 2,549,153 upon which it sued the General Motors Corporation. The Court of Appeals of the 4th Circuit in a decision dated March 6, 1953, held the patent to be valid and infringed as a result of this suit. General Motors Coropration assigned Patent No. 2,569,724 to Automobile Body Research Corporation as a partial settlement of the judgment against General Motors Corporation. At the time of this suit and at the time of the sale of said Patent No. 2,569,724 to Automobile Body Research Corporation, substantially all automobile convertible tops and assemblies were being manufactured in accordance with Patent Nos. 2,549,153 and/or 2,569,724 each of which could be practiced without infringement of the other. The acquisition therefore, by the Automobile Body Research Corporation completed a monopoly in the replacement top field and/or in the manufacture of original tops and assemblies for convertible automobiles. By virtue, therefore, of this acquisition of said Patent No. 2,569,724, Automobile Body Research Corporation has improperly extended its ownership of patents by this acquisition to monopolize and control the manufacture of automobile convertible tops. By virtue of these facts, Automobile Body Research Cor-

poration has improperly created a monopoly and is misusing its patents; and accordingly such misuse is attributable to the Plaintiff.

* * *

(s) EZEKIEL WOLF
Attorney for Defendants

Dated May 23, 1956

DEFENDANTS' INTERROGATORIES UNDER RULE 33 F.R.C.P.

Filed September 15, 1956

Now comes defendants and under the provision of Rule 33 of the Federal Rules of Civil Procedure propound the following interrogatories to the plaintiff to be answered under oath.

1. a) How many stockholders does the plaintiff have?

1. b) Identify by name and address all the stockholders of the plaintiff corporation if there are less than fifty, and if there are more that fifty, identify those holding more than 2% of the stock.

2.) Identify by name, office and address the officers and directors of the plaintiff.

3. a) When was the plaintiff organized?

* * *

4.) What is the business address of the plaintiff?

* * *

6.) Does the plaintiff manufacture or sell any products?

* * *

8.) Does the plaintiff own any interest in patents other than the one subject to the present action?

* * *

10.) Does the plaintiff have a license under or in any other way benefit from a patent or patents other than the one subject to the present action?

* * *

12. a) Does or has the plaintiff derive or derived an income from the patent subject to the present suit?

12. b) Does the plaintiff derive an income from any source other (if any) than the patent subject to the present action?

* * * *

Aro Manufacturing Co. Inc., Mae Shapiro, George Shapiro, Harold R. Shapiro, John Raymond Hamlin,
By Ezekiel Wolf, their attorney.

Certificate of service (omitted in printing).

ANSWERS TO DEFENDANTS' INTERROGATORIES UNDER RULE 33, F.R.C.P.

Filed October 30, 1956

Now comes Plaintiff and answers certain of the interrogatories propounded to it by Defendants, as follows:

1. a) Plaintiff has three stockholders.

1. b) The stockholders of Plaintiff corporation are: Vivian L. Pollock, 7202 Lynhurst Pl., Chevy Chase, Maryland; Douglas G. Carlson, 5314 Augusta Street Glen Mar Park, Md.; and Norman E. Quible, 4802—66th Pl., Parkway Knolls, Hyattsville, Md.

2. The officers of Plaintiff are: Vivian L. Pollock, 7202 Lynhurst Pl., Chevy Chase, Md., President; Douglas G. Carlson, 5314 Augusta Street, Glen Mar Park, Md., Secretary; and Norman E. Quible, 4802—66th Pl., Parkway Knolls, Hyattsville, Md., Treasurer.

3. a) Plaintiff does not understand the question; but assumes that it was asked for the date of incorporation and that date was, upon information and belief, April 5, 1956.

* * *

4. The business address of Plaintiff is: 7202 Lynhurst Pl., Chevy Chase, Maryland.

* * *

6. No. Plaintiff does not manufacture or sell any prod-

ucts at the present time, although there is a possibility that Plaintiff may do so in the future.

* * *

8. No.

* * *

10. No. The only patent under which Plaintiff has a license or in any other way benefits is Mackie-Duluk patent No. 2,569,724.

* * * *

12. a) No. Plaintiff has not received any income thus far from the patent in suit.

12. b) Objected to.

* * * *

Convertible Top eplacement Co., Inc., By Vivian L. Pollock, President.

* * *

PLAINTIFF'S ANSWER TO DEFENDANTS' INTERROGATORY 12(b)

Filed December 17, 1956

12(b) No. This answer is based upon the assumption that the question asks for some present source of continuing or intermittent income from third parties. If the question is meant to ask whether plaintiff has derived any income in the past, then the answer is that plaintiff has received income in the past and expects, through proper business relationships, to receive income in the future. However, there is no present income-producing relationship between plaintiff and other persons or organizations. In particular, plaintiff has not received in the past, and does not presently expect to receive in the future any income directly or indirectly from Automobile Body Research Corporation.

Convertible Top Replacement Co., Inc., By Vivian L. Pollock, President.

* * *

16. Has Automobile Body Research Corporation derived an income from the patent in suit from sales, manufacture or use of products manufactured and/or sold within the Commonwealth of Massachusetts?

* * *

Plaintiff is not informed as to the correct answer to this question and therefore cannot answer the same.

* * *

PLAINTIFF'S ANSWERS TO DEFENDANTS REQUESTS FOR ADMISSION

* * *

29. Denied insofar as the request for admission omits the provision "other than replacement top fabrics licensed under paragraph 3", set forth in clause 1 of the agreement in question. Plaintiff admits that a release of the type set forth in request for admission 29 was embodied in an agreement with the Ford Motor Company on or about the 21st day of July, 1955, with the understanding that this release did not extend to "replacement top fabrics"; with the understanding that nothing in the agreement, either expressly or by implication, authorized parties other than Ford Motor Co. to sell replacement top fabrics; and with the further understanding that the Ford Motor Company is required to pay royalties on replacement tops; and, upon information and belief, does pay such royalties to Automobile Body Research Corp, under clause 3 of the agreement, whenever said Ford Motor Company manufactures and/or uses and/or sells "replacement top fabrics".

* * *

33. Denied. The only license that was granted to the Ford Motor Company is a license "to make or have made for them in the United States and to use or sell throughout the world replacement top fabrics herein called 'replace-

ment top fabrics'." Plaintiff admits that the Ford Motor Company is licensed to manufacture and sell replacement top fabrics for Ford, Lincoln and Mercury automobiles made between 1952 and 1955; and states, upon information and belief, that the Ford Motor Company does manufacture and sell such replacement top fabrics and pays a royalty for such manufacture and sale to Automobile Body Research Corp.

CONVERTIBLE TOP
REPLACEMENT CO., INC.
By .....
VIVIAN L. POLLOCK, *President*

Respectfully submitted,
EZEKIEL WOLF,
WOLF & GREENFIELD
Attorneys for Defendants

LIST OF DEFENDANTS' REQUESTS FOR ADMISSIONS

* * *

58. The defendants' exhibit 25 is a true copy of an original letter sent by William D. Hall on behalf of Automobile Body Research Corporation to Howard Zink Corporation.

* * *

[Letterhead — MOORE AND HALL]

August 28, 1956

REGISTERED MAIL
RETURN RECEIPT REQUESTED
The President
Howard Zink Corporation
5550 Paramount
Long Beach, California

Dear Sir:

Our client, Automobile Body Research Corp., a corporation of Maryland, has instructed us to send you a notice of infringement of U. S. patent to Ackerman's No. 2,549,153, and of U. S. patent to Mackie and Duluk No. 2,569,724.

Your replacement tops for convertible automobiles for Buick, Oldsmobile and Cadillac cars for 1950 models to and inclusive of present models; Chevrolet and Pontiac models for 1950 through 1954; Ford, Mercury and Lincoln models for 1952 through 1954; and Plymouth, Dodge, De-Soto and Chrysler models for 1953; infringe the said Ackermans patent.

Your replacement tops for Ford and Mercury models for 1952 through 1954, and Lincoln models from 1952 to 1955 infringe the said Mackie-Duluk patent.

General Motors Corp., Ford Motor Co. and Atlas International Co. have purchased licenses from our client and pay us a royalty on each replacement top that they sell for one of the above-mentioned cars.

Instead of settling for past infringement and otherwise working out detailed negotiations for replacement for the aforesaid cars, some manufacturers are finding it convenient to purchase their tops, within the above categories, from Atlas International Co. We understand that Atlas is giving favorable prices in this respect and if you care to follow that policy it would of course eliminate any question of infringement.

For your information, the Ackermans patent was held valid and infringed in a suit against General Motors Corp. decided in 1953, see *Ackermans* v. *General Motors Corp.*, 202 F. 2d 642. The U. S. Supreme Court denied a petition by General Motors to review the case and also denied a rehearing to G. M. on the refusal to hear the case.

Sincerely yours,
(s) WILLIAM D. HALL
WILLIAM D. HALL

WDH:ar
cc: Howard Zink Corp.
Fremont, Ohio

* * *

PLAINTIFF'S ANSWERS TO DEFENDANTS' ADDITIONAL REQUESTS FOR ADMISSION

* * *

58, Admitted, except that the exhibit appears to be Exhibit 26 rather than 25.

* * *

CONVERTIBLE TOP
REPLACEMENT CO., INC.
By (s) VIVIAN L. POLLOCK, *President*

Deposition of RICHARD S. WRIGHT
July 2, 1958

* * *

[4] Q. Can you tell me who the counsel for this corporation is? A. At the present time, I am counsel for the corporation.

Q. Does the corporation have a patent counsel? A. It does.

Q. Who is he? Who is patent counsel? A. I am not clear whether it is William B. Hall, or the firm of Moore and Hall. In any event, Mr. Moore is patent counsel.

Q. Could you tell me what the principal assets of the corporation are? A. The principal assets of the corporation at the present time I would say would be the Mackie-DeLuk patents, which we purchased from General Motors, and the Ackermans' patent.

Q. Does it own any other patent or rights in patents? A. It does not.

Q. Does it own any other physical assets? [5] A. It has some models which were used in a prior patent case.

Q. Would you consider then it a principally patent holding company? A. I would.

• • •

[9] Q. Who are the directors of Automobile Body at the present time? A. At the present time the directors are Mr. Moore, Naomi Moore and Louise Hall.

Q. Is Naomi Moore the wife of Nelson Moore? A. She is.

Q. A members of the firm of Moore and Hall? A. She is.

Q. And is Louise Hall the wife of William D. Hall? A. I believe, I do not know that she is.

Q. Do you know whether she is related to him? A. I do not know. I have never met her.

Q. Moore and Hall I take it, is the firm that William D. Hall is associated with? A. That's correct.

• • •

[10] Q. Has the substitution of Mr. Wharton or Mr. Murphy been the only change in the directors? A. That's correct.

Q. And Mr. Wharton is I take it, associated with your firm at the present time? A. That's correct, he is a partner — partnership.

• • •

[30] Q. Do you recall conversations with Mr. Hall in which instructions were given to Mr. Hall, to send letters

to various Replacement Top manufacturers? A. Yes, we have sent, to my knowledge, several.

[31] Q. Do you recall conversations with them? That was the first question. A. Yes, I recall having them.

Q. Between whom were the conversations? A. I have no recollection but just the day before yesterday, I sent one out.

Q. You don't recall who authorized Mr. Hall to send these out? A. Well, we did.

Q. Who is we? A. The directors and officers of the corporation.

Q. In other words, you? A. Yes.

Q. Do you recall to whom these letters were sent? A. There were several sent. The one I sent the other day was sent to Rayco.

Q. Do you recall whether was sent to Crump Company, B. T. Crump? A. Yes, it was.

Mr. Wolf: I offer that letter to the Crump Company as an exhibit.

[32] (The letter referred to was marked: Wright Deposition Exhibit No. 3.)

* * *

[56] Q. In other words, under this contract which is now Exhibit 6, there is a clause which states that Convertible Top agrees to pay Automobile Body on or before June 1, 1958, or within any specified extension period thereafter, as shall be designated in writing by A. B., the sum of $10,000? Am I correct in understanding what has happened, you have extended the time period? A. That's correct.

[57] Q. And no payment has been made as of this moment? A. No payment.

* * *

[61] Q. How long have you know Mr. Quible? A. Approximately — I met him once, personally. I write him once a year and send him the annual reports for Automobile

Body. That is, the financial statements. I guess it goes back for 3 years, two or three years.

Q. Is he accountant for Automobile Body? A. That's correct.

Q. Was he introduced to you through Mr. Hall? A. Yes.

Q. Do you know of any consideration other than that recited in this contract that was passed between Automotive Body Research and Convertible Top? A. No.

* * *

Deposition of WILLIAM D. HALL
July 3, 1958

* * *

[2] *Examination by Counsel for Defendant*

* * *

[10] Q. What is your concept of the time Convertible Top was organized to form the corporation and then enter civil action against Aro? A. Well, what Converitble Top did after Automobile Body sold them the grant, was up to Convertible Top entirely, but I think it is part of the suggestion that their corporation be formed.

We did point out that there was this clear infringement up in Boston, which if they wanted to pursue it, the chances were pretty good that they could recover on it.

Q. When you made your original suggestion of the organization of Convertible Top, did you also suggest that it would be a good idea to acquire a territorial right in the Commonwealth of Massachusetts to the Mackie patent? A. That is what the suggestion was, namely, that they [11] acquire that territorial grant.

Q. Well, with whom did you have these discussions?

Mr. Pollock: I believe the witness has already testified that he doesn't recall.

I believe that he has given some names as to possible persons that he might have spoken to.

The Witness: I probably spoke to both Mr. Quible and Mr. Carlson and perhaps also Mrs. Pollock.

By Mr. Wolf:

Q. Do you know who the stockholders of Convertible Top are? A. I don't think that I have ever seen any record or anything official.

The only thing I would know would be what people have told me and based on that, it is my recollection that they are Mrs. Vivian Pollock, Douglas Carlson, and Norman Quible.

Q. Does your wife hold any office or directorship in the Convertible Top Replacement Co., Inc? A. No.

Q. Who is Louise Hall? A. She is my wife.

• • •

[15] By Mr. Wolf:

Q. Have you ever made any records which are the property of or which concerned Automobile Body available to anyone associated with Convertible Top? A. It is my recollection that at the time of the assignment to Convertible Top — .

Mr. Pollock: You mean the territorial grant?

[16] The Witness: That is right. The territorial grant — that we gave with the grant or shortly thereafter such records as pertained to transactions in the territory that the grant covered, that is, what went on in the state of Massachusetts, and we probably either referred them to or gave them a copy of the documents which established their chain of title.

• • • •

[32] Q. Did you write a letter to the Howard Zink Corporation? A. Yes.

Q. I have here a copy of what purports to be such letter attached to defendant's request for admission, and I believe it is referred to as Defendant's Exhibit 25.

I would like you to look at it and identify it.

Do you want to take a look at this?

[33] Will you identify this letter? It is a copy. A. This is a photostat, not the original, and I do recall writing a letter to them of this general tenor, but whether this is an exact copy of it, I cannot say, and I might add that I will be glad to check it and let you know, if you want it, and I might further add that you were in my office a day or two ago when we were picking out letters and we could have picked this out if you had requested, but I received no request at that time for this particular letter, although I did give you the Crump letter and, therefore, I am not in a position to check the exact wording.

Q. Do you recall any other companies that you wrote letters to of this general tenor? A. Well, it is pretty hard to say when you qualify it with words of "this general tenor," but we have sent notices of infringement to a number of replacement top manufacturers.

Q. Can you recall the names of some of them, please? A. Well, I sent a letter to Aro. That was one of the first.

And at about the same time, I sent one to Atlas and perhaps later on, to the Sears Roebuck.

I know we sent one — there have been three or four more at least, but I don't remember the names of the companies.

It has been quite a long time ago. Perhaps if you named some company in particular, I could answer.

[34] There is the Crump letter. We gave you that.

Q. With respect to the letters you have sent out, how many of these companies you contacted have become licensees? A. Atlas has become a licensee and Sears Roebuck and Company purchases all their materials from Atlas and, therefore, in effect they are licensed.

* * *

[48] "Plaintiff is the mere alter ego of Automobile Body Research Corporation and/or is in privity with it as set forth in the preceding paragraph."

There is an allegation which is at issue.

The Witness: All right, I will answer that.

Automobile Body Research Corporation is entirely distinct.

By Mr. Wolf:

Q. Excuse me — A. From Convertible Top Replacement Co.

The officers are all different. The directors are all different.

The stockholders are all different. There is nothing in common from any legal standpoint.

* * *

[66] *Examination by Counsel for the Plaintiff*

* * *

[89] Q. You are also aware of the fact that a territorial grant was passed from your client to Convertible Top, is that correct? A. Yes.

Q. At the time that all this was occurring, it is my understanding that there were a number of licensees of Automobile Body Research Corporation under the Ackermans and/or [90] Mackie-Duluk patents, is that correct? A. Yes. General Motors, Ford, and Atlas International Company.

Q. Were any of these licensees advised of the negotiations and outcome of the negotiations with Convertible Top? A. Yes. We told Atlas about it and they consented to the transfer. By "we," I mean Automobile Body did it.

I don't know whether we did it on their behalf or —

Mr. Wolf: That is oral or written?

The Witness: It is written. It is a written paper.

Mr. Wolf: Have you seen it?

The Witness: Yes.

Mr. Wolf: What does it specifically state?

The Witness: It just states that Atlas International would consent to the transfer of a territorial grant from Automobile Body to Convertible Top.

* * *

[105] *Further Examination*
by Counsel for Defendant

* * *

Q. First, is Elliott Pollock associated with you in a law firm? A. Yes. We have two firms. We have one firm of Moore and Hall and there is another firm of Moore, Hall, and Pollock.

* * *

[108] Q. Now, just one final question.

Did you consider the insertion in the Ford agreement of the reservation to license others under replacement tops as a necessary part of that agreement? A. No, I think that we would have had the right to control the replacement business even in the absence of that clause, but the purpose of that clause was to make it absolutely clear.

* * *

[109] The Witness: I am using the word, "we," because Mr. Wolf said very early in the thing that he would use that term collectively to include me and Automobile Body Research, and it is a lot easier to say, "we," than it is to say, "Automobile Body Research."

So relying on his statement earlier that we would use the term as a collective term, I believe we would have the right to arrive at royalty and otherwise consider as patented the replacement top, whether we had the reservation clause in or not, but I believe and it is my view of the law, that with the reservation clause in it that there is no question about it, that actually the issue of repair versus replacement is not a relevant matter any more, that irrespective of whether the replacement of a top is a repair or a replacement, it is still within the bounds of our patent, because any release that was granted obviously runs out when the original fabric wears out and is replaced.

* * *

[2] STENOGRAPHIC TRANSCRIPT OF TRIAL

* * *

[14] Mr. Pollock: I offer in evidence as Plaintiff's Exhibits 9-A, 9-B, 9-C, and 9-D, four letters which are identified respectively as follows: Plaintiff's Exhibit 9-A comprises letter dated January 2, 1954, notifying defendants of their infringement. The other three letters comprise letters written by attorney for defendant on behalf of Defendants and dated respectively February 23, 1954, March 5, 1954, and May 10, 1954.

[Letters dated January 2, 1954, February 23, 1954, March 5, 1954, and May 10, 1954, marked Plaintiff's Exhibits 9-A, 9-B, 9-C, and 9-D.]

* * *

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[879] Mr. Wolf: I should also like to offer, your Honor, the exhibits which were submitted in that deposition.

The Court: Very well.

* * *

[880] Mr. Pollock: The plaintiff would also like to offer the deposition of Mr. William D. Hall.

* * * *

[883] The Court: Well, I'm going to take the deposition that Mr. Pollock offers and limit it solely to the question of [884] misuse; and anything else that he had to say about the patent, or anything that he had to say about the patent, I am not going to consider in connection with any other issue in the case.

* * *

PLAINTIFF'S ACCOUNTING EXHIBIT 1

STIPULATION

Now comes the parties to the above identified action and, through their respective counsel, stipulate as follows:

1. That attached hereto is a copy of an assignment of Mackie-Duluk Letters Patent No. 2,569,724, from Automobile Body Research Corporation to Convertible Top Replacement Co., Inc., Plaintiff herein, dated September 10, 1959. The parties stipulate that said assignment may be received in evidence by William R. Hulbert, Special Master, in the accounting now scheduled in the above identified proceeding; and further stipulate that if appropriate witnesses were called to testify regarding this assignment, they would testify that it was executed by duly authorized persons of Automobile Body Research Corporation, with full authority of that corporation, on the 10th day of September, 1959.

2. That subsequent to entry of the Interlocutory Judgment in the instant case, certain individuals and companies executed license agreements and releases, thereby securing rights under Ackermans U. S. Letters Patent No. 2,549,153 and Mackie-Duluk U. S. Letters Patent No. 2,569,724. The licensed parties under these agreements, and the effective dates of their agreements, are respectively as follows:

a) Crown Auto Top Mfg. Co., Columbus, Ohio
April 1, 1959;

b) B. T. Crump Co., Inc., Richmond, Virginia
April 1, 1959;

c) RAYCO Mfg. Co., Paterson, New Jersey
May 1, 1959;

d) Faulkner Mfg. Co., Malden, Mass.
April 1, 1959;

e) Nu Top Mfg. Co., Baldwinsville, New York
April 1, 1959.

3. That copies of said license agreements and releases, identified in the preceding paragraph, are presently in the hands of both parties. Either party may offer any or all of said agreements during the accounting before William

R. Hulbert, Special Master, subject to objection on the grounds of materiality, relevancy and competency.
September 15, 1959

(s) Elliott I. Pollock
Attorney for Plaintiff
(s) David Wolf
Attorney for Defendants

Date September 16, 1959

Assignment

Assignment made by Automobile Body Research Corp., a corporation of Maryland, hereinafter called the "Assignor," to Convertible Top Replacement Co. Inc., a corporation of Maryland, hereinafter called the "Assignee;"

Whereas, H. A. Mackie and S. Duluk United States Letters Patent No. 2, 569,724, for: "Convertible Folding Top with Automatic Seal at Rear Quarter" was duly issued by the United States Patent Office to General Motors Corporation, a corporation of Delaware on October 2, 1951;

Whereas, the Assignor is presently the owner of the entire right, title, and interest, in and to the said United States Letters Patent No. 2,569,724, except for a previous territorial grant by Assignor to Assignee recorded in the United States Patent Office at Reel 198, Frame 106;

Whereas, the Assignee is desirous of acquiring a further interest in the said Letters Patent No. 2,569,724, and in particular is desirous of acquiring complete title to said Letters Patent for the entire United States;

Now Therefore, in consideration of the sum of Ten Dollars ($10.00) paid to the Assignor, the receipt of which is hereby acknowledged, the Assignor hereby sells, assigns and transfers unto the said Assignee all the right, title, and interest in and to the said Mackie and Duluk Letters Patent No. 2,569,724, including all rights for past infringement thereof, throughout the entire United States, its

territories and possessions, other than the territory covered in the aforesaid territorial grant; the same to be held by the said Assignee within and throughout the entire United States for its own use and behoof and for the use and behoof of its successors and assigns to the full end of the term for which said Letters Patent is granted, as fully and entirely as the same would have been held by the Assignor had this assignment and sale not been made.

Signed and sealed this 1st day of September, 1959.

AUTOMOBILE BODY RESEARCH CORP.
(SEAL)
By (s) JOHN G. WHARTON
President

Attest:
RICHARD S. WIGHT
Secretary

STATE OF MARYLAND)
) ss:
CITY OF BALTIMORE)

Before me personally appeared JOHN G. WHARTON, President of Auotmobile Body Research Corp., and acknowledged the foregoing instrument to be the free act and deed of Automobile Body Research Corp. this 10th day of September, 1959.

(s) M. ISABELLE LEFFERT
Notary Public

SEAL

INTERROGATORIES WITH REFERENCE TO ACCOUNTING

1. Has the plaintiff ever manufactured or sold replacement fabric tops?

2. Has the plaintiff ever acquired any rights under Patent No. 2,549,153. If so, please specify the exact nature of these rights.

3. Did the plaintiff ever grant licenses only under its territorial rights?

4. If the answer to the preceding interrogatory is in the affirmative, please attach copies of all licenses which have been granted.

5. Has the plaintiff derived any income solely from the territorial right to the Commonwealth of Massachusetts in the patent in suit?

6. If the answer to the preceding interrogatory is in the affirmative please specify whether such income is in the nature of royalties or similar payments for the right to make, use or sell under the territorial grant. Also state the formulas by which such royalty or other similar income is calculated or has been calculated.

7. Did the plaintiff have any regular income producing relationships between it and other persons or corporations before September 10, 1959. If so, please state when such relationships were established and the nature of such relationships.

8. Has the plaintiff derived any income from sales, manufacture and/or use from products manufactured and/or sold within the Commonwealth of Massachusetts in the nature of a royalty under the Mackie and Duluk patent.

9. It is understood that the plaintiff has acquired a purported right to the entire United States under the Mackie and Duluk patent together with licenses thereunder.

(a) Have any of these licenses been granted under the Mackie and Duluk patents alone?

(b) Has any party requested a license under the Mackie and Duluk patent alone?

(c) Has the plaintiff or its predecessor in title ever offered a license under the Mackie and Duluk patent alone?

(d) If the answer to (b) and (c) is in the affirmative, please state the name of the parties with whom negotiations were conducted.

(e) Did any of the parties named in answer (d) ever take out a license under the Mackie and Duluk patent? If so, who?

• • •

PLAINTIFF'S ACCOUNTING EXHIBIT 2
STIPULATION

Now Comes the parties, and through counsel, stipulate that if William D. Hall were called to testify during the accounting in this matter, he would testify inter alia as follows:

1. I am a patent attorney and have continuously represented Automobile Body Research Corporation (hereinafter called ABRC) since the inception of that company in 1953.

2. Early in January 1954, I wrote Defendant Aro Manufacturing Co. and also Atlas International Co. in an effort to interest them in a license for replacement top fabrics. Later in 1954, I approached others in the business. Aro refused a license, and the others approached, with the exception of Atlas, ignored the offer of a license. No licenses were secured subsequent to January 1954 (except with Ford) until about twenty-two months later. This first license, granted in November 1955, was to Atlas International Co. Some of the reasons that the Atlas license was finally granted at the royalty rates specified therein were that Atlas agreed not to dispute the fact that the top fabrics it made for about thirty-five different models of cars (including some 1955 and 1956 models) were covered by the patents and that royalty would be paid un-

equivocally thereon; and that Atlas agreed to submit any dispute over royalties to arbitration on ABRC's home ground (Maryland).

3. For the period January 1, 1956 through June 30, 1959, Atlas has paid ABRC a total of $49,095.03 in royalties at the royalty rates specified in the Atlas agreement.

4. Rayco Manufacturing Co. markets a wide variety of automobile accessories such as seat covers, mufflers, convertible tops, etc., principally through a nationwide group of captive franchise dealers. ABRC gave it notice of infringement in 1954, and Rayco ignored the matter until suit was brought against one of its franchise dealers in or about June 1958. This suit was entitled Automobile Body Research Corp. v. Rayco of Maryland, Inc., Civil Action No. 10,679, United States District Court, District of Maryland. This suit was contested. In view of the possible large financial drain on ABRC if the suit continued to a conclusion against this relatively large concern (although it is not one of the largest in the top business), and in order to secure royalties in addition to those being paid by Atlas, a settlement was reached on essentially the same terms as the Atlas agreement, but with a few concessions.

5. Atlas complained to ABRC that it was paying royalty while almost all others in the business were not. ABRC, in 1959, pressed other concerns to take licenses, among other reasons to satisfy Atlas that its competition was paying also. Thus, while the Aro case was on appeal, licenses were granted to Crown Auto Top Mfg. Co. of Columbus, Ohio, Nu-Top Mfg. Co. of Baldwinsville, N. Y., Faulkner Mfg. Co. of Massachusetts, and B. T. Crump Co. of Richmond, Va. All four of these licenses, combined, reported that the royalties due at the license rates from 1955 to the date of settlement (about April 1959), totaled approximately $12,000.00. All of these licenses were nego-

itated while the Rayco suit was pending and being contested.

September 21, 1959 (s) ELLIOTT I. POLLOCK
date *Attorney for Plaintiff*
September 21, 1959 (s) DAVID WOLF
date *Attorney for Defendants*

MOTION FOR LEAVE TO FILE A SUPPLEMENTAL PLEADING PURSUANT TO RULE 15(d) F.R.C.P.

Now comes Plaintiff in the above identified action and prays that the Court grant leave for the filing of the Supplemental Pleading attached hereto. Plaintiff also moves for an Order directing Defendants to answer the Supplemental Pleading within ten days, if the Court deems such answer appropriate; as well as for a modified Order of Reference to the Master, directing that said Master need not segregate damages between Massachusetts and the remainder of the United States.

Plaintiff was unable to submit the accompanying Supplemental Pleading at an earlier date since it did not acquire, and was not in a financial position to acquire, complete title until very recently. Prior to filing of the instant suit, most replacement top manufacturers had no rights under the patent. Accordingly, Plaintiff's predecessor placed a high value on the complete patent rights, and the financial assets of Plaintiff permitted acquisition of only a territorial right. During pendency of the suit, and as stipulated by the parties, other replacement top firms became licensees of Plaintiff's predecessor and settled with that company for past infringement (see the attached stipulation, paragraph 2). The remaining value of the patent in suit thereby diminished appreciably wherefore

Plaintiff's financial position permitted acquisition of these diminished rights. Such remaining rights were but recently acquired.

* * *

PAUL V. POWER
Attorney for Plaintiff

Of Counsel:
(s) ELLIOTT I. POLLOCK

SUPPLEMENTAL PLEADING

Plaintiff hereby supplements the Amended Complaint in this case by adding the following paragraphs thereto:

11. On the 10th day of September, 1959, Plaintiff, Convertible Top Replacement Company, acquired the entire right, title and interest in and to said Letters Patent No. 2,569,724, including all rights for past infringement for, to, and in, the United States (see Supplemental Pleading Exhibit 1 attached hereto), in addition to rights which said Plaintiff had previously acquired for the Commonwealth of Massachusetts, wherefore Plaintiff is now the owner of the entire right, title and interest in and to said Letters Patent for the entire United States, together with all rights for past infringement thereof since December 30, 1953.

12. Plaintiff is, by virtue of the present rights and interest in and to said Letter Patent No. 2,569,724, entitled to recover damages for all acts of infringement and contributory infringement, of said Letters Patent, committed by Defendants throughout the entire United States from and subsequent to the time notice of infringement was given Defendants.

Of Counsel:
(s) ELLIOTT I. POLLOCK

PAUL V. POWER
Attorney for Plaintiff

MOTION FOR ENTRY OF INJUNCTION PURSUANT TO INTERLOCUTORY JUDGMENT

Plaintiff moves that the Court, pursuant to its Interlocutory Judgment of December 17, 1958, issue a perpetual injunction restraining the defendant Aro Manufacturing Company, Inc., and the several individual defendants herein, and each of them, as well as their officers, agents, servants, employees and each of them:

* * *

(c) From directly or indirectly selling, in the Commonwealth of Massachusetts, convertible automobile replacement top fabrics of the types presently identified by defendants under their part numbers 134, 224, 225, 226, 227, 228, 231, 233, 234 and 509, or the equivalent of any of them.

By its attorney,

(s) PAUL V. POWER

PLAINTIFF'S ANSWERS TO DEFENDANTS' INTERROGATORIES WITH REFERENCE TO ACCOUNTING

* * *

1. No.
2. No.
3. No. However, Plaintiff authorized its predecessor in title to grant certain licenses, as will appear hereinafter.
4. A copy of a typical agreement is attached hereto. Like agreements have been executed naming (in place of B. T. Crump Co., Inc.) Rayco Mfg. Co., Faulkner Mfg., Co., Nu-Top Mfg. Co., and Crown Auto Top Co.
5. No.
6. No answer required.
7. No, in view of the word "regular".
8. No.
9. (a) through (e) Plaintiff is unable to answer this in-

terrogatory since it refers to licenses allegedly acquired by Plaintiff. In this respect, therefore, the interrogatory is based upon a premise (i.e. "It is understood") which is partially incorrect (i.e. "together with licenses thereunder"). All licenses granted prior to Plaintiff's acquisition of the entire right, title and interest to the Mackie-Duluk patent in suit were negotiated, granted, and retained by Plaintiff's predecessor in title; and Plaintiff herein was not involved in negotiations with those prior licensees, or the grant of licenses thereto.

Upon information and belief, however, Plaintiff's predecessor in title offered licenses under Mackie-Duluk alone; and Plaintiff now offers licenses under Mackie-Duluk alone.

CONVERTIBLE TOP REPLACEMENT CO., INC.
By (s) VIVIAN L. POLLOCK
VIVIAN L. POLLOCK, *President*

AGREEMENT

MEMORANDUM of agreement made as of April 1, 1959 between Automobile Body Research Corp. (hereinafter referred to as AB) and Convertible Top Replacement Co. (hereinafter referred to as CTR), both of which parties are corporations of Maryland.

WHEREAS, CTR is, by virtue of a Territorial Grant, possessed of the right, title and interest in and to Mackie-Duluk Patent No. 2,569,724 for, to and in the Commonwealth of Massachusetts, together with all rights of action for past infringement, accruing since December 30, 1953, in the Commonwealth of Massachusetts;

WHEREAS, AB is possessed of similar rights in said patent for the remainder of the United States, and wishes to enter into negotiations with B. T. CRUMP CO., INC., a corporation of the State of Virginia

((hereinafter referred to as LICENSEE) looking toward giving the latter a license for the future and a release for past infringement accruing since December 30, 1953, for the entire United States; and therefore wishes to secure certain rights from CTR.

NOW, THEREFORE, in consideration of One Dollar ($1.00) in hand paid from AB to CTR the parties agree as follows:

1. CTR hereby grants to AB the right to grant to LICENSEE a release of all claims that CTR has against LICENSEE for past infringement of said patent. Insofar as products made and/or sold by LICENSEE are concerned, the right to grant a release further extends to all of LICENSEE's servants, customers, dealers and users of its products. CTR further authorizes AB to grant a non-exclusive license to LICENSEE, under said patent, authorizing LICENSEE to make, sell and use the patented invention throughout any and all territory in which CTR has rights.

2. Provided, however, nothing herein shall directly or indirectly act as a release of any claim that CTR may have against any one or more of the defendants in the suit of *Convertible Top Replacement Co.* v. *Aro Manufacturing Co. et al.* pending in the U. S. District Court for the District of Massachusetts.

In Testimony Whereof, the parties hereto affix their seals and signatures.

AUTOMOBILE BODY RESEARCH CORP.
By (s) J. G. WHARTON (Seal)
President

CONVERTIBLE TOP REPLACEMENT CO.
By (s) VIVIAN I. POLLOCK (Seal)
President

Attest:
(s) RICHARD S. WRIGHT
Secretary

Attest:
(s) DOUGLAS G. CARLSON
Secretary

MEMORANDUM
October 27, 1959

ALDRICH, C.J.

Plaintiff moves to file a supplemental pleading, asserting that it has recently acquired full rights under the patent from the patent owner, enlarging its original grant which was restricted to the Commonwealth of Massachusetts. The proposed amendment concludes with the statement that by virtue of this new assignment plaintiff is entitled to recover from the defendants for all acts of infringement and contributory infringement committed by them "throughout the entire United States."

Defendants make a number of objections to this motion. To some extent plaintiff seeks to meet them headon, but always to the accompaniment of an anvil chorus that, since these particular defendants did business only in Massachusetts, it had all these rights from the beginning. I am not initially, at least, impressed with that argument. In any event, it has no place in the decision of this motion, because if that contention be, in fact, sound, the motion is superfluous. Consequently, I am assuming for present purposes that plaintiff did not have all rights accruing throughout the United States against these defendants (and as to some defendants I do not see how its argument applies, even if sound as to others), but acquired new ones by virtue of the further assignment.

I also discard plaintiff's claim that inasmuch as its new assignment has been admitted in evidence before the master, the amendment is offered simply to conform the pleadings to the proof. This would be a grossly exaggerated use of that principle, if plaintiff means that I am thereby compelled to allow the amendment.

While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plain-

tiff's ingenuous-appearing explanations as to why it is attempting to increase its bets, now that its horse is out in front, and the race, in all probability, over. The "simplification" that plaintiff seeks in order to encompass a broader recovery is, no doubt, alluring, but I cannot help but feel the court is being woo'd by false profits. Plaintiff chose to take a territorial grant, and bring suit in its own limited right, only, and if it is in difficulties, which I do not presently decide, it is a difficulty of its own choosing.

I might make two observations, in passing. The first is that it does not at all follow that any judgment in the present suit in plaintiff's favor will mean that a later action on its new rights will be a "pianola case." The points which defendants are presently advancing with respect to plaintiff's alleged inequitable conduct may be there quite pertinent. Also, if it then appears that plaintiff has, in effect, split its cause of action in bringing this suit as it did, no doubt the court will be receptive to such a defense.

Secondly, it does not at all follow that defendants will bear all of the costs of the present hearing before the master, as plaintiff assumes in trying to point out that it is in reality making this motion to amend for "defendants' own good." I will reserve for future consideration whether the plaintiff will not have to bear the cost, or part of the cost, of separating out any damages which are not recoverable because of its limited title. Defendants, infringing, could expect to be sued for infringement, and could expect to bear the cost of suit, but very possibly not any extra cost imposed by reason of plaintiff having acquired piecemeal rights.

Plaintiff's motion to file a supplemental pleading is denied.

I turn now to plaintiff's motion for an injunction. This

case has gone three years from the time it first appeared on the trial list, and thus far defendants have escaped the force of an injunction. As previously stated, I was prepared to revoke the stay if the Court of Appeals denied the defendants' petition for rehearing, However, I am informed that that court has withheld its mandate. While I believe I have power to issue the injunction in spite of this, I construe that action as a possible suggestion that my stay should continue in effect. As a matter of comity, if not of necessity, I will not revoke the stay at this time.

(s) ALDRICH
Circuit Judge

DEFENDANT'S ACCOUNTING EXHIBIT 4-B

LICENSEE AGREEMENT AND RELEASE

This agreement effective as of April 1, 1959 between AUTOMOBILE BODY RESEARCH CORPORATION (hereinafter referred to as AB) a corporation of the State of Maryland, and FAULKNER MFG. CO. (hereinafter referred to as LICENSEE) a corporation of the Commonwealth of Massachusetts.

WHEREAS, AB is the owner of United States Letters Patent No. 2,549,153, together with all rights for past infringement thereof; and United States Letters Patent No. 2,569,724, together with all rights for past infringement thereof since December 31, 1953, except that AB does not own the rights in the latter patent for the Commonwealth of Massachusetts but has secured from the owner of those rights the right and authority to grant the license and release herein given as to any and all infringements occurring since December 31, 1953; and

WHEREAS, LICENSEE desires a release for past infringement of said patents and a license for the future;

NOW, THEREFORE, the parties agree as follows:

LICENSE

1. AB licenses the LICENSEE to make, sell, and use devices under United States Patents Nos. 2,549,153 and 2,569,724, throughout the United States.

2. LICENSEE will pay royalty on any replacement top (made, used or sold by LICENSEE), without regard to whether such top is covered by either of said patents, which by its peculiar shape or other construction adapts it for use on any one or more of the following cars:

Name of Car	*Model*
a. Buick	1950 to 1956 inclusive
b. Cadillac	1950 to 1956 inclusive
c. Chevrolet	1950 to 1954 inclusive
d. Chrysler	1953
e. De Soto	1953
f. Dodge	1953
g. Ford	1952 to 1954 inclusive
h. Lincoln	1952 to 1955 inclusive
i. Mercury	1952 to 1954 inclusive
j. Oldsmobile	1950 to 1956 inclusive
k. Plymouth	1953
l. Pontiac	1950 to 1954 inclusive

m. Any model of car after the 1958 model where the manufacturer of the car marks one or more of the above patent numbers on new cars of that model or pays royalty on the replacement top fabrics that it sells for that model.

3. In event LICENSEE makes, uses or sells any device (including replacement tops) not falling under the preceding paragraph, royalty is to be paid if the LICENSEE's conduct respecting such device would, in the absence of the patentee's consent, amount to an infringement (including contributory) of one or more of said patents. In determining the coverage of either patent, its claims read in the light

of its specification, and the prior art of record in its file wrapper shall measure the scope of the patent.

4. In event LICENSEE sells its products through another person, firm, company or corporation, that is controlled by one or more of the persons, or by a relative (either by blood or marriage) of one or more of the persons that hold stock in, control or manage LICENSEE, the royalty base for each particular replacement top shall be the highest selling price for such top by LICENSEE, or by the person, firm, company or corporation controlled by one or more of said persons or relatives thereof; provided, however, in case LICENSEE operates one or more retail outlets that sell less than 25% of LICENSEE's total replacement tops, the royalty base on replacement tops sold to such retail outlets shall be equal to the royalty base for tops sold to LICENSEE's largest independent distributor. This paragraph is included in this agreement since it is the practice of some members of the replacement top industry to have separate concerns, instead of a single concern, for manufacturing and selling. This provision is intended to equalize the royalties.

5. If the number of licensed devices sold in any quarter is less than 400, the royalty shall be at the rate of 5%. If over 400 licensed devices are sold in any one quarter, the royalty is computed by aggregating the selling prices (using the base price for each unit as determined by the preceding paragraph), and dividing by the number of devices sold to ascertain the average selling base price. The royalty shall be 5% of this average base price for each of the first 400 devices sold and 3% of this average base price for each device sold in excess of 400. Thus, if LICENSEE sold 400 devices for $15.00 and 400 at $25.00 during a given quarter, the total royalty would be $640.00. In event devices are leased or used without being sold, royalty will be paid using the average selling price as a base. For the

purposes of this agreement, the selling price of a licensed device shall be the invoice price to a customer including excise taxes but less freight allowances and discounts; and less 25% of the invoice price as an allowance for the rear curtain in the case of tops sold with rear curtains and less $1.25 as an allowance for trim in the case of tops sold with trim, provided that in no case shall the royalty based on a selling price of a replacement top alone be less than 75% of the selling price of the same top complete with rear curtain. A device shall be considered sold when it is invoiced, provided that LICENSEE shall be entitled to credit for returned devices and for devices written off as bad debts.

6. LICENSEE may once, at any time, and at its option, elect, in writing, to substitute the following paragraph for the provisions contained in paragraph 2 and for the first four sentences of paragraph 5, above:

(a) LICENSEE agrees to pay a royalty of 5% on anything (including replacement top fabrics, machines and articles of manufacture) made, leased, or sold by it, and which is of such construction that if sold without the patentee's consent would, assuming the validity of the patent, amount to infringement (including contributory) or if LICENSEE's conduct with respect thereto would amount to inducing infringement. As applied to "replacement top fabrics" this substitute provision requires the payment of royalty in event a replacement top fabric is sold which by its peculiar shape or construction would, when installed, cause the car on which it is installed to be within the scope of either patent; provided, however, if a replacement top fabric by its peculiar shape is clearly intended to be so installed that the resulting car is not covered by either patent, then no royalty is due thereon. In event that

LICENSEE makes the election herein given it, it concedes for the purposes of this agreement that the replacement of the fabric of each patent amounts to a reconstruction rather than a permissible repair of the patented invention, provided of course that the car after its fabric has been replaced is covered by the patent.

The substitute clause 6(a) set forth above shall not be in any way operative unless and until LICENSEE makes an election in writing to adopt it; and if such election is made then clause 6(a) shall thereafter control the payment of royalties, and paragraph 2 as well as the first four sentences of paragraph 5 shall no longer be operative.

7. In order to enable AB to keep count of the number of replacement tops sold by the LICENSEE, AB will furnish LICENSEE with serially numbered printed patent notices. There will be three forms of notices respectively reading as follows:

(a) "This replacement top licensed under U. S. Patent No. 2,549,153."

(b) "This replacement top licensed under U. S. Patent No. 2,569,724."

(c) "This replacement top licensed under U. S. Patents 2,549,153 and 2,569,724."

LICENSEE will attach the appropriate one of these notices, as specified by AB, to each replacement top covered by a patent, and will be responsible for each serially numbered notice furnished to it, and must pay royalty on at least as many replacement tops as it has received notices that remain unaccounted for by use, inventory, returns, bad debts or accidental destruction, plus royalty on any devices sold without such notice but on which royalty is due.

8. Royalty reports will be rendered quarterly during the months of January, April, July and October, covering LICENSEE's activities during the preceding quarter. For

example, the April report will cover sales made from January 1, to March 31. Each royalty report will include:

(a) The total number of licensed devices sold and the total selling price thereof.

(b) The number of licensed devices leased or used but not sold.

(c) The report for the last quarter of each year shall additionally include the number of serially numbered patent notices received during the year and the number unused, remaining in inventory, on returned devices and accounted for by bad debts or accidental destruction.

LICENSEE shall pay to AB the amount of royalty shown to be due by each report within thirty (30) days of the date of the report.

9. LICENSEE agrees to keep adequate accurate records that will enable AB to determine the royalty due hereunder and to allow a representative of AB to audit the same at least once a year. The records are to be preserved for a period equal to the statute of limitations in LICENSEE's state.

10. In event LICENSEE sells to a third party who is also a licensee of AB, the present license agreement shall not apply nor will royalties be payable hereunder, and nothing herein shall constitute a waiver of AB's right to recover royalties from said third party under its license.

11. In event the parties have a dispute over the amount of unpaid royalty due to AB, either may call upon the Chief Judge of the U.S. District Court for Maryland to appoint an arbitrator whose decision shall be binding.

12. So long as LICENSEE renders full and accurate royalty reports and has made payments as they come due, it may terminate this agreement by giving written notice of termination concurrently with a timely royalty report

and payment in which event the license will terminate with the end of the next royalty period.

13. In event LICENSEE adopts a selling procedure which is different from the selling procedures followed by other licensees of AB and which results in a lower effective royalty base for LICENSEE, then AB may require LICENSEE to pay such additional royalty as necessary to correct the inequality.

14. AB may terminate this license in event of a breach of the license terms, which is not corrected after thirty (30) days notice.

15. In event of any termination or cancellation of this agreement, any royalties that accrued prior to termination shall be reported and paid within thirty (30) days after the effective date of termination.

16. If at any time after the execution of this agreement AB shall grant a license under the foregoing patents (including any license granted pursuant to an order to decree of a court of competent jurisdiction) to anyone other than LICENSEE on terms, which in the opinion of LICENSEE, are more favorable than the terms of this agreement, LICENSEE shall be entitled to substitute the terms of such license for the foregoing licensing terms, as of the effective date of such license. Whenever AB grants a license under the foregoing patents to anyone other than LICENSEE, it shall promptly notify LICENSEE thereof and afford LICENSEE the opportunity to compare the terms of such license with the terms of this agreement.

RELEASE

17. Each party hereto hereby releases the other of all claims that it may have against the other, and in particular AB releases LICENSEE of all claims that AB and Convertible Top Replacement Co. has against LICENSEE for past infringement of said patents and each of the patents. Insofar as products made and/or sold by LICENSEE are con-

cerned, the release further extends to all of LICENSEE's servants, customers, dealers and users of its products.

18. As consideration for the release of paragraph 17 *supra*, and as a settlement of AB's claim for past infringement of said patents, LICENSEE agrees to pay a total sum equal to the aggregate of the total royalties due for the half-quarter from November 15, 1955 to January 1, 1956 in addition to those due for each full quarter of the period from January 1, 1956 to April 1, 1959, at the rates and under the basis of computation provided for in paragraphs 2, 3 and 5 hereof. Paragraphs 6 and 12 do not apply to the settlement for past infringement herein provided for in paragraphs 17 to 20.

19. LICENSEE agrees to make sufficient spot checks of its sales for the period from November 15, 1955 to April 1, 1959 to get a reasonably accurate estimate of the total royalties due for this period and to advise AB of the extent of the spot check made and the results thereof showing how the compensation for the release was computed. If AB is dissatisfied with the procedure or computation of LICENSEE, AB may at its own expense retain a Certified Public Accountant of Boston, Mass. who is acceptable to LICENSEE to make an accounting of the compensation due for the release as herein provided. LICENSEE agrees to cooperate with such accountant, to simplify his work. If a complete accounting is made, LICENSEE agrees to pay on the basis of the complete accounting.

20. Within thirty (30) days after the effective date of this agreement, LICENSEE shall pay to AB one-third of the amount due based on the spot check provided for hereinabove. The balance due to AB shall be paid in two equal installments on April 1, 1960 and April 1, 1961. If a more complete accounting of the records is made as provided for in paragraph 19 above, suitable corrections shall be made in the 1960 and 1961 payments so that the exact total sum due will be paid by the latter date.

21. The release herein given does not extend to any claims that AB or Convertible Top Replacement Co. has or may have against any one or more of the defendants in the suit of *Convertible Top Replacement Co.* v. *Aro Manufacturing Co, et al.* pending in the U. S. District Court for the District of Massachusetts.

In Testimony Whereof the parties hereto have signed and sealed this agreement on the dates set forth below.

FAULKNER MFG. CO.
By (s) HYMAN HERSHBERG (SEAL)
President

(SEAL) Date:
Attest:

Secretary

FAULKNER MFG. CO.
By (s) HYMAN HERSHBERG (SEAL)

(SEAL) Date:
Attest:

Secretary

AUTOMOBILE BODY RESEARCH CORPORATION
By (s) J. G. WHARTON, *Pres.* (SEAL)
President

Date:
Attest:
(s) RICHARD S. WRIGHT
Secretary

DEFENDANT'S ACCOUNTING EXHIBIT A

STIPULATION

Now come the parties and stipulate for the purposes of this case as follows to the extent relevant:

The Ackermans patent may be infringed by cars having tops of original installation for the following models:

Cadillac	1950-6
Oldsmobile	1950-6
Pontiac	1950-3
Buick	1950-6
Chevrolet	1950-3
Ford	1952-3
Lincoln	1952-5
Mercury	1952-3

At least some of the foregoing models also may infringe the Mackie-Duluk patent.

November 9, 1959

(s) ELLIOTT I. POLLOCK
Attorney for Plaintiff

November 9, 1959

(s) DAVID WOLF
Attorney for Defendants

HEARINGS before William R. Hulbert, Special Master, at the offices of Fish, Richardson & Neave, 84 State Street, Boston, Massachusetts.

* * * *

[7] Mr. Pollock: Now, the defendants here comprise a manufacturing company which makes certain specially cut fabrics. As I recall, the defendants manufactured, at least at the time of the trial, something like 140 different fabrics which were advertised and sold for installation on cars of different types and models. Of those 140 fabrics there are some seven fabrics which were specifically designed for installation on cars which had the Mackie and Duluk invention on them. It is those seven fabrics that we [8] are here primarily concerned with.

* * *

[16] Mr. Pollock: Eventually a contract was achieved with Atlas in November of 1955 and that contract is of

record and it grants a license for the manufacture of replacement top fabrics which include replacement top fabrics additional to those involved in this accounting. In particular, the Atlas agreement sets forth certain categories of cars and the Atlas agreement was essentially based upon the forms of royalty payment or the royalty computation which was approved by the Supreme Court in the Hazeltine case in that it sets forth various broad categories in which the licensee would pay royalties without regard to whether or not these fabrics were specifically covered by a patent.

• • •

[18] Furthermore, since there had been no licensees other than Atlas during this long period of years, Atlas, the sole licensee, eventually began to complain that they were being put at a competitive disadvantage. In 1959, at a time when this case was on appeal and the Rayco case was still pending—incidentally, I think I may have said it was settled in 1958, and that is not correct. It was settled in May of this year, May, 1959. At a time when the Rayco case was still pending and the Aro case was on appeal, and in response to these complaints of prejudice by Atlas, some of these other concerns were pressed to take a license. These other concerns are listed in a stipulation which we will offer. For the most part, they are very small companies and I might note in that regard that four licenses were granted in which the total damages for past infringements were only of the order of $12,000 as opposed to payments of royalties of something approaching $50,000, which had already been made by Atlas, so that the four companies combined were probably only about one-forth the size of Atlas and each company approximately only about one-sixteenth [19] the size. These facts were known and until the complaints by Atlas, it was just not considered

worth while, if you will, to litigate with these companies. In any event, licenses were granted to these companies after they had been pressed and licenses were taken by them in April and May of this year. Each of these licenses is again at substantially the same royalty rate as the Atlas agreement, but each license includes, if you will, an escape clause, since these people wished to have the opportunity to cancel the license if it should ultimately be decided by the Court of Appeals in the Aro case or by the Maryland courts in the Rayco case that the patent was not valid and infringed.

* * *

[24] Now, just to get an idea of what sort of figures we are here concerned with, you will recall that there were at least 42,000 tops involved and that the installed price ranges between $40 and $100. If we use the $40 figure, we are concerned with a total installed price in the order of $1,700,000. 7-1/2 per cent of this figure would be at least $125,000 and it would be even higher, of course, if the $100 figure is used as the installed price. Another way of looking at it is that 7-1/2 per cent of the $40 figure is a $3 royalty per top.

* * *

[35] The Master: I want to know whether both sides agree so that if it is referred to there will be no technical problem as to whether it was introduced.

Mr. Pollock: It is my understanding that the entire record is in evidence.

Mr. Wolf: I will agree to that. It will save a lot of bother.

The Master: Yes.

Mr. Pollock: There was no discussion about exhibits below. Things went in and they are in.

As a preliminary, I should like to introduce as Plaintiff's Accounting Exhibit 1 a stipulation signed by counsel

for the plaintiff on September 15 and signed by counsel for the defendants on September 16. Would the reporter please mark this as Plaintiff's Accounting Exhibit No. 1?

The Master: It will be received.

[Stipulation signed by counsel for the plaintiff and counsel for the defendants on September 15 and September 16, 1959, is marked Plaintiff's Accounting Exhibit 1.]

[38] I should next like to offer in evidence as Plaintiff's Accounting Exhibit No. 2 a stipulation signed by attorneys for both plaintiff and defendants on September 21, 1959.

The Master: Unless there is objection, the reporter can note that each item offered is received in evidence.

[Stipulation signed by attorneys for both plaintiff and defendants on September 21, 1959 is marked Plaintiff's Accounting Exhibit No. 2.]

[41] Mr. Pollock: Under the General Motors agreement, which is of record, General Motors will pay a royalty of 5 per cent of the net selling price of their replacement top fabrics.

Mr. Wolf: Does that include trim and curtains?

[42] Mr. Pollock: There is nothing in the agreement on that.

Mr. Wolf: How about Ford?

Mr. Pollock: I will read into the record, among other things, this agreement states:

> "It is agreed that whenever General Motors, its subsidiaries, domestic and foreign, present and future, themselves and their successor or successors, sells or uses in the United States for replacement a top fabric herein called a 'replacement top fabric,' General Motors will pay a royalty of five (5%) per cent of the net selling price thereof."

Later on this same clause says—

Mr. Wolf: But their license did not extend to the Mackie-Duluk patent?

Mr. Pollock: That can be brought out. There is no use arguing about this now. You have asked the question.

Mr. Wolf: But it is not for infringing tops.

Mr. Pollock: It is for replacement top fabrics.

Mr. Wolf: That does not come within the scope of this patent.

Mr. Pollock: If that is the case, you will develop that, of course. All I am trying to show is General Motors [43] does have a royalty based on certain prices and still conceding for the purposes of this discussion that the prices charged by General Motors are in almost all of these instances higher than those charged by Aro, that General Motors does manufacture a more expensive or a higher quality top.

The Master: Or, at least, it charges more for them.

Mr. Pollock: Or at least it charges more for them. I might note, if my brother will accept it, that the same situation applies as to Ford tops: Ford also charges more for its top fabrics than Aro.

* * *

[183] HAROLD R. SHAPIRO, Sworn

* * *

[383] Mr. Pollock: By way of example, I would invite the Master's attention to Interrogatory 23-B, which was offered previously as part of the plaintiff's case. This contains a listing of total income from infringing structures to Aro Top Sales Company for the years 1954 to 1958 and I believe the record would show we totaled these to show there was a total income of $698,000-odd for that period of time. [384] In working with these figures the Master should revise that upward by 14 per cent, and the

parties have done so in deriving certain of this other information.

• • • • •

[449] Mr. Wolf: I should like to offer as Defendants' Accounting Exhibit A the stipulation dated November 9, 1959 between the parties. I am offering that.

The Master: Will you mark it?

[Stipulation dated November 9, 1959 is marked Defendants' Accounting Exhibit A.]

• • • • •

[462] Mr. Wolf: Therefore, I am offering into evidence a group of licensing agreements.

Exhibit B comprises the following:

B-1, the agreement between Automobile Body Research Corporation and B. T. Crump Company, dated April 1, 1959.

B-2, agreement between Automobile Body Research Corporation and Nu-Top Manufacturing Company, effective as of April 3, 1959.

B-3, agreement between Automobile Body Research and Rayco Manufacturing Co., effective as of May 1, 1959.

B-4, agreement between Automobile Body Research Corporation and Faulkner Manufacturing Company, effective as of April 1, 1959.

Mr. Pollock: Objected to as irrelevant to this proceeding. I do not see what pertinence they would have.

The Master: After I see them, I can pass on them. These may be received in evidence for whatever relevancy they may have.

Mr. Pollock: Yes.

[Defendants' Accounting Exhibits B-1, B-2, B-3, B-4, between Automobile Body Research Corporation and B. T. Crump Company, Nu-Top Manufacturing Co., Rayco Mfg. Co. and Faulkner Mfg. Co. received in evidence.]

* * *

[476] Q. Will you tell me something about the number of competitiors you have and where they are located?

Mr. Pollock: If it will save any time, the plaintiff will stipulate this is a competitive business.

Mr. Wolf: I won't stipulate that to save time.

[478] Mr. Wolf: I would like to point out to you they do have an agreement attached to them which is highly pertinent. These are the interrogatories which were sworn to on September 29, 1959, the answers sworn to on that date, Defendants' Interrogatories 1 to 11.

What I would like to call to your attention at this moment is the agreement attached to them between Automobile Body Research Corporation and Convertible Top, which the answers to the interrogatories say is typical to those entered into, including the one with Faulkner, in which the consideration of one dollar, and no other recited consideration, is mentioned, by which Convertible Top grants to Automobile Body the right to grant licenses and releases under their territorial right. The consideration recited is $1.

* * *

[494] HAROLD SHAPIRO, Resumed

Direct Examination by Mr. Wolf, Continued

* * *

[527] *Cross-Examination by Mr. Pollock*

* * *

[536] The Witness: I most certainly would consult my counsel on the validity and the territorial right of the patent before I would sign such a document.

But another thing that comes into my mind since this trial came up is, suppose the plaintiff had lost in the lower court and the Court of Appeals, what would he lose in connection with this case?

XQ. Is that something you thought of or counsel thought of? A. That is something I thought of.

The Master: I might say that the one thing that the plaintiff can't blame the defendant for is the territorial grant.

* * *

TRANSCRIPT OF HEARING
April 11, 1960

* * *

[17] The Court: that perhaps you don't feel too secure, I assume, because you ask for a bond, about the ability of the defendant to meet the judgment if judgment were to be entered. On that score, is it so that the total gross sales amounted to 800,000, more or less?

Mr. Power: I think so.

The Court: Supposing that entry goes your way, how much do you expect to recover?

Mr. Power: Well, I haven't thought about this for some time.

The Court: You won't be held to the figure; just a rough estimate.

Mr. Power: I suppose a reasonable royalty would be 5 per cent.

The Court: That would be about $40,000 or $50,000.

Mr. Power: Yes, your Honor.

The Court: And you have an attachment on the real estate which is represented to be of a value of approximately $120,000 so that there is something like $20,000 mortgage on it—do you have such an attachment?

Mr. Power: We have a real estate attachment.

The Court: Do you have any reason to believe the attachment might be invalid?

[18] Mr. Power: I think it is a good attachment but I

don't think the equity is anything like what has been represented to the Court.

The Court: Assuming it has been represented with caveats and warnings to the Court that the figures are not to be taken too exactly, but according to the defendant's representations, with those qualifications you have an equity of approximately $100,000. Let's cut that by 25 per cent. You say you have an equity of $75,000, and aren't you adequately protected?

Mr. Power: We certainly would be adequately protected if that were so, but I have never seen any evidence that the equity we have is worth anything.

* * *

BRIEF FOR RESPONDENT (No. 21 O.T. 1960)

* * *

B. *The Proposed Rules of Law Propounded By Aro and the Government Cannot, Under the Facts of This Case, Extend to Ford Cars*

* * *

The Trial Court thus found that the defense of "repair" could *not* be raised against Ford cars, since these cars were unlicensed. Whatever this Court's view be toward the Government's new test of reconstruction, it is submitted that Aro must nevertheless be liable for its Ford activities, for, at the very least, having "repaired" infringing devices.

* * *

BRIEF FOR RESPONDENT IN SUPPORT OF PETITION FOR A LIMITED REHEARING, OR FOR AMENDMENT OR CLARIFICATION OF THE COURT'S OPINION

Brief Statement of Facts

During the years 1950-54, the General Motors Corp. manufactured convertible cars covered by, and originally

licensed under, the Mackie-Duluk patent. These cars had a fabric top which was replaced after a period of years to preserve the appearance of the car. This Court has now held that replacement of such fabric tops comprises a mere repair, rather than a reconstruction of the top; and that since the sale of the original car was under license, the original licensed sale carried with it an implied license to repair wherefore there was no infringement. Respondent is not asking for a rehearing on this holding of the Court.

* * *

The decision of the Trial Court as to the Ford cars should therefore be affirmed by this Court, since no appeal was taken to the Court of Appeals from the District Court holding that the defense of repair was not available as to Aro tops sold for Ford cars.[1]

* * *

MEMORANDUM IN OPPOSITION TO DEFENDANTS' MOTION FOR AN ORDER DIRECTING PLAINTIFF TO POST A BOND

* * *

Plaintiff's Financial Condition

This Court has requested that Plaintiff disclose its present financial status.

Plaintiff presently owns the entire right, title and interest to Mackie-Duluk patent No. 2,569,724. This patent was originally purchased by Plaintiff's predecessor in title

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[1] In Footnote 10, the majority said that misuse "is not an issue in this case". The minority said that this issue "is not before this Court at this time" since (footnote 5) "Aro did not appeal that finding" to the Court of Appeals. It seems likely, by analogy, that both the majority and the minority of this Court felt that Respondent was entitled to recover for Ford cars, at least on the ground of no appeal. If so, clarification is requested so the record will be clear.

for the sum of $80,000. At the present time, since the life of the patent is shorter, the value of the patent must be considered somewhat less. However, the patent is not valueless, since it has been affirmatively held valid; since it is infringed by structures sold for use on Ford cars; and since it still has a life of some seven years, during which time industry may return to the Jackie-Duluk structure and be willing to pay royalties under the patent for original devices, as well as royalties for replacements on Ford cars. The patent is presently carried on plaintiff's books at a net value of, approximately $27,900, against which there are contractual liabilities of $32,000.

Plaintiff's counsel is advised that Plaintiff presently has a bank account of $140.50. In addition, Plaintiff has been awarded costs by the District Court (thus far not computed) and has been affirmatively awarded costs in the amount of $1161.40 by the Court of Appeals, which amount has not been paid by Defendants. Plaintiff's counsel is further advised that Plaintiff has an accumulated operating deficit, primarily attributable to the instant suit, in the amount of approximately $10,500. It is believed clear from the foregoing, therefore, that Plaintiff is unable at the present time to post any bond even remotely approaching that now sought by Defendants.

* * *

Respectfully submitted,

(s) PAUL V. POWER

Attorney for Plaintiff

Of Counsel:

(s) ELLIOTT I. POLLOCK

[Letterhead—MOORE AND HALL]

October 17, 1961

Hon. Anthony Julian
District Judge
U.S. District Court
District of Massachusetts
Boston 9, Mass.

Re: Civil Action 56-357J
Convertible Top v. *Aro Mfg. Co.*

Dear Judge Julian:

Plaintiff is in receipt of a "Motion for Amendment of Judgment under Fed. R. Civ. P. 52(b) and 59(e)" filed by Defendants in the above identified matter on or before September 8, 1961. I apologize for not having commented on this Motion previously. When it was received, I was already involved in certain litigation which consumed all my time through the month of September and the first two weeks of October.

Plaintiff disagrees entirely with the action sought by Defendants. Inasmuch as you must rule on Defendants' recently filed Motion, Plaintiff is now preparing and will promptly submit, a Memorandum of Points in Opposition to the Motion, as well as some proposed findings of fact and conclusions of law, which you may wish to adopt in the form presented or in modified form.

Plaintiff would further like to note that it believes its arguments, previously submitted, relating to Defendants' infringement by sale and installation of type 134 tops (for Ford cars) were well taken. If, therefore, upon review of the various papers now before you, you are disposed to reopen the judgment and/or amend the same, Plaintiff requests and would appreciate the opportunity to present further memoranda and proposed findings relating to the 134 tops, with a view toward having final judgment entered against Defendants as to such tops. Judge Aldrich,

during the initial litigation in this matter, found it convenient upon occasion to write to counsel suggesting actions which he anticipated taking, and giving counsel an opportunity to file papers in support of, or in opposition to, such proposed action. If such a procedure is acceptable to you, a simple letter stating that you wish to reopen the judgment would suffice; and I will promptly prepare and submit for your review further memoranda relating to the Ford tops.

Sincerely,

(s) ELLIOTT I. POLLOCK

EIP/amr
cc: P.V. Power
David Wolf

MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO DEFENDANTS' MOTION FOR AMENDMENT OF JUDGMENT; AND PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Judgment Should not be Amended to Eliminate the Finding of Validity

Defendants' motion, paragraph 1, urges that this Court eliminate the finding of validity from the Judgment, and suggests that the proposed amendment is supported by *Electrical Fittings Corp.* v. *Thomas & Betts Co.*, 307 US 241 (1939). Defendants have, however, ignored a very real and controlling distinction between *Electrical Fittings* and the instant case, i.e. Defendants submitted a counterclaim expressly seeking a decree of invalidity. The Supreme Court itself so distinguished the *Electrical Fittings* case in a subsequent decision, *Altvater* v. *Freeman*, 319 US 359, 363-4, wherein the Court stated:

> "That case [i.e. Electrical Fittings Corp. v. Thomas & Betts Co.] was tried only on bill and answer. The

District Court adjudged a claim of a patent valid although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. ***But the situation in the present case is quite different.*** We have here not only bill and answer ***but a counterclaim.*** Though the decision of non-infringement disposes of the bill and answer, ***it does not dispose of the counterclaim which raises the question of validity.*** * * * we are of the view that the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end * * * on the dismissal of the bill for non-infringement * * *." (Emphasis and matter in brackets added.)

* * *

Respectfully submitted,

(s) PAUL V. POWER

Of Counsel:

(s) ELLIOTT I. POLLOCK

REPLY TO PLAINTIFF'S MEMORANDUM FILED OCTOBER 27, 1961 OPPOSING DEFENDANTS' MOTION DATED SEPTEMBER 9, 1961 TO AMEND THE FINDINGS AND JUDGMENT OF AUGUST 29, 1961

* * *

We are informed that even after the Opinion of the Supreme Court, correspondence on the letterhead of Moore and Hall over the signature of William D. Hall demanded royalty payments on replacement fabrics for installation in 1952-54 Ford Motor Co. cars under the Mackie-Duluk

patent and on replacement fabrics with a "cushion" for installation in 1950-54 Ford Motor Co. and General Motors cars under the Ackermans combination patent, claiming such payments are required by agreements licensing the sale of unpatented replacement fabrics.

In our petition for writ of certiorari filed in the Supreme Court in 1959 we said

> . . .[F]ormation of a shell corporation with no assets of value to institute suit under a territorial grant insulates the real parties in interest from even bearing court costs in the event the patent is held invalid. Petition, p. 14.

And respondent replied

> Nor is there any truth, much less substance, in Petitioners' allegations (p. 14) regarding "a shell corporation", "real parties in interest", or "manipulation of patent rights". Such slurs, without support in the record, are reprehensible. Respondent's Brief in Opposition p. 15.

In a letter to us dated September 12, 1961 on the letterhead of Moore and Hall over the signature of Elliott I. Pollock it was stated

> . . . Plaintiff is convinced that there is no merit in Defendants' contentions regarding the anti-trust law; but even if you should be otherwise persuaded, it should by now be clear to you that even if you were to somehow prevail on this issue, any judgment entered against Plaintiff would be of little monetary value to the Defendants.

* * *

Respectfully submitted,

EZEKIEL WOLF, WOLF & GREENFIELD

By

Attorneys for Defendants

[Letterhead—MOORE AND HALL]

November 8, 1961

Hon. Anthony Julian
District Judge
U.S. District Court
District of Massachusetts
Boston 9, Mass.

Re: Civil Action 56-357J
Convertible Top v. *Aro Mfg. Co. et al*

Dear Judge Julian:

Counsel for Plaintiff is now in receipt of a Memorandum filed by Defendants in the above identified cause on or about November 3, 1961. In said Memorandum, page 5, Defendants make reference to certain discussions with "counsel for Plymouth", and at the bottom of page 6 and the top of page 7 further makes reference to some correspondence over the signature of William D. Hall. None of this material is in the record; and of even greater importance, counsel for Plaintiff is not familiar with the material thus relied upon, wherefore it is submitted that all of it should be ignored by your honor.

One matter does require immediate answer, however. Defendants, at page 7, have seen fit to quote from a letter over the signature of Elliott I. Pollock, dated September 12, 1961. This particular letter was written in connection with a possible settlement of the present action; and the letter terminated with the following paragraph:

> "If you are prepared to make an agreement along the foregoing lines, we suggest that you advise us thereof promptly so that neither side will incur further expenses in connection with further appeals in this matter. On the other hand, if for some reason you are not agreeable to compromising the present cause of action, we would stress that the present letter is being written for purposes of settlement and

is not to be used in any further proceedings in this matter."

It is believed reprehensible for Defendants' counsel to quote from a letter which expressly stated in its body that it was for purposes of settlement only and was not to be used in any further proceedings in this matter. Indeed, this latest instance of the tactics conventionally employed by Defendants is believed to substantiate the statements recently made in Plaintiff's objections to Defendants' bill of costs, to the effect that Defendants should not be awarded any costs whatsoever in view of their conduct in this case.

If the Court is interested, Plaintiff would be willing to submit the entire letter of September 12, 1961 for the Court's consideration.

Sincerely,

(s) ELLIOTT I. POLLOCK

EIP/amr
cc: P.V. Power
David Wolf

RECORD APPENDIX

RELEVANT DOCKET ENTRY

1962

Mar. 13 Notice of Cross-Appeal filed by defts. cy to Mr. Power

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DEFENDANTS' ANSWER

The Defendants in the above-entitled action collectively answer the Plaintiff's complaint as follows:

* * *

Further answering by way of counterclaim, the Defendants allege:

* * *

d. That this court find and enter a decree herein holding that said Patent No. 2,569,724 has been misused.

* * *

g. That the Defendants have judgment for costs and such other and further relief as equity may require or to this honorable court may seem meet and just.

(s) EZEKIEL WOLF
Attorney for Defendants

Dated May 23, 1956

HEARINGS before William R. Hulbert, Special Master, at the offices of Fish, Richardson & Neave, 84 State Street, Boston, Massachusetts.

* * *

[68] Mr. Pollock: I should also like to offer in evidence Interrogatory 19-C, and that asks for the total income realized by Aro Manufacturing Company for the sales specified in Interrogatories 19-A and 19-B. The answer to this interrogatory is $352,826.10. This represents monies

paid by the Sales Company, the sole purchaser of these [69] tops, to the Manufacturing Company for the specific tops in question, and I note that these are just infringing tops that we are concerned with.

The Master: This is indicating the receipts?

Mr. Pollock: This is receipts by the Manufacturing Company for these infringing tops. And the previous interrogatory indicated that the only place they got their receipts for these infringing tops was from the Sales Company.

I should further like to offer in evidence Interrogatory 23-B and the Answer. 23-B states:

> "With regard to the various tops sold by Aro Manufacturing Company, Inc. to Aro Top Sales Company, as specified in answer to Interrogatory 19-A, please further specify the total income realized by Aro Top Sales Company in subsequent resale of these tops during each of the time periods set forth in Interrogatory 15."

Interrogatory 23-B is split into five parts giving the total resale prices for the Sales Company for each of the years 1954 through 1958. I would invite the Master's attention to the fact that these prices as given are each in excess of $100,000 and that the total resale price, total figure given is $698,216.50.

[70] As the first point in our prima facie case, therefore, I note that the Interrogatories 19-C and 23-B indicate that the Sales Company paid $350,000-odd for these infringing tops, resold them for $698,000-odd, and the actual subtraction of the figures indicates a gross profit in the order of $345,390.40 for these infringing tops.

Mr. Wolf: That is over a five-year period.

Mr. Pollock: 1954 through 1958. As I understand it, it is from early January, 1954 until December 18 or December 21.

[235] LAWRENCE SPIEGEL, Resumed.

Direct Examination by Mr. Pollock, Continued.

[255] Q. Mr. Siegel, have you now computed the legal fees which have been charged on the books of Aro Top Sales or the Manufacturing Company?

Mr. Wolf: The corporation. Legal fees and other expenses.

Q. And expenses for transcript and the like?

Mr. Wolf: And witnesses?

Mr. Pollock: Yes.

Q. Which have been charged on the books of Aro Sales and Aro Manufacturing Company in connection with this litigation? A. Yes.

Q. What is the sum that you computed A. $11,065.96.

MOTION FOR ENTRY OF JUDGMENT

Now comes the defendants in the above case and move for entry of judgment in the form hereto attached.

Respectfully submitted

ARO MANUFACTURING CO., INC. ET AL

By (s) DAVID WOLF

EZEKIEL WOLF, WOLF & GREENFIELD

JUDGMENT

6. That an interlocutory judgment be entered for the defendants on their counterclaim.

7. That further hearing and testimony be taken on defendants' counterclaim for the purpose of determining such affirmative relief to which the defendants are entitled.

NOTICE OF CROSS-APPEAL TO COURT OF APPEALS

Notice is hereby given that defendants Aro Manufacturing Co., Inc., Mae Shapiro, George Shapiro, Marshall Shapiro, Harold R. Shapiro and John Raymond Hamlin, individually and as a co-partnership doing business as Aro Top Sales Company hereby cross-appeal to the United States Court of Appeals for the First Circuit from the Amended Judgment entered in this action on February 16, 1962 failing to adjudge the plaintiff liable to the defendants for violating the antitrust laws and order further hearings on the extent of liability.

Respectfully submitted;
EZEKIEL WOLF, WOLF & GREENFIELD
By (s) CHARLES HIEKEN
Attorneys for Defendants

[fol. 71]

APPENDIX

No. 5488

ARO MANUFACTURING CO., INC., et al.,
Defendants-Appellants,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
Plaintiff-Appellee.

BRIEF FOR DEFENDANTS-APPELLANTS

* * * * * * *

Questions Presented.

The questions presented in this appeal are:

1. Is not an individual entitled to maintain or have maintained in working condition, a patented combination rightfully acquired by having replaced a part which expectedly became worn or defective before other integral parts of the patented combination without paying a second royalty?

2. Where a patented combination recites as one element in the combination, an unpatentable component which is normally manufactured as an appendage to much larger wearable and non-patentable structure, may not such structure be replaced together with the appendage?

3. Does one infringe a patent by replacing an unpatentable component of a patented combination in a manner which was not disclosed as operable by the patentee?

4. Does the sale of an unpatentable component for replacing a worn element of a patented combination constitute contributory infringement under 35 U.S.C. § 271 (1952)?

* * * * * * *

[fol. 72]

IN UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

JOINT MOTION—Filed April 27, 1962

The parties to this appeal respectfully move this court to treat the Joint Record Apendix of Appeal No. 5488 and the printed recorded appendix of either party in Appeal No. 5993 as part of the printed record in this appeal, all these appeals arising from the suit originally brought by appellant against the appellees on April 27, 1956.

Respectfully submitted,

Paul V. Power, Attorney for Appellant, 82 Devonshire Street, Boston 9, Massachusetts.

David Wolf, Charles Hieken, Attorneys for Appellees, Ezekiel Wolf, Wolf & Greenfield, 68 Devonshire Street, Boston 9, Massachusetts.

[fol. 73]

IN UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

ORDER ALLOWING—April 27, 1962

Upon consideration of joint motions *re* incorporation in record appendices herein,

It is ordered that said motions be, and the same hereby are, allowed.

By the Court / Roger A. Stinchfield, Clerk.

[Clerk's Memorandum: The Joint Record Appendix of Appeal No. 5488 referred to in the above motion is here omitted as it was transmitted to the Supreme Court of the United States and filed in Aro Manufacturing Co., Inc., et al., petitioners, versus Convertible Top Replacement Co., Inc., respondent, No. 21, October Term, 1960.]

[fol. 75]

IN THE UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

Appeal No. 5991

CONVERTIBLE TOP REPLACEMENT COMPANY, INC.,
Appellant,

v.

ARO MANUFACTURING COMPANY, INC., et al.,
Appellees.

Appeal No. 5993

ARO MANUFACTURING COMPANY, INC., et al.,
Appellants,

v.

CONVERTIBLE TOP REPLACEMENT COMPANY, INC.,
Appellee.

MOTION TO STRIKE—Filed June 28, 1962

Now comes Convertible Top Replacement Company, Inc., appellant in Appeal No. 5991 and appellee in Appeal No. 5993, and moves that the following materials filed by Aro in each of said appeals be stricken as constituting matters unnecessary to and not properly in the record for purposes of these appeals:

(a) Aro's entire "Record Appendix to Brief for Appellees" in No. 5991 (gray cover), or at the very least, pages 15-18 and 27-65 each inclusive.

(b) In Aro's "Brief for Appellees" in No. 5991 (green cover), all references to "RA." pages other than 5-14 and 19-26; and in addition pages 10-13, inclusive.

[fol. 76] (c) In Aro's "Brief for Appellants and Record Appendix Thereto" in No. 5993 (blue cover), all references to "RA." pages other than 5-14 and 19-26; and in addition pages 9-13 inclusive, the first paragraph on page 14, and "Record Appendix" pages 67-70 inclusive.

It is further requested that the foregoing motion be acted upon promptly so that the party, Convertible Top Replacement Company, Inc., will be in a position to know what materials it must consider in the preparation of its briefs.

Memorandum in Support of Motion to Strike

The material listed in the foregoing motion, now sought to be stricken, comprises in excess of fifty-six printed pages of material which, it is submitted, is unnecessary to and improper for consideration in these appeals. The pages objected to reproduce material not of record, include matters relating to a separate later accounting procedure which was never completed and the testimony in which was never ruled upon by the Special Master or Court as to credibility, admissibility or pertinence, and includes such material as excerpts from recent briefs and letters by counsel filed in connection with matters unrelated to these appeals.

Under the provisions of Rule 33(4) of the Rules of this Court, costs of printing can be taxed; and the unnecessary and improper material now printed by Aro might, if they were to prevail in both appeals, be taxed at some $200.00 which would be wholly unwarranted in the premises. Moreover, the material objected to and now sought to be stricken is so irrelevant and improper as to require its physical re-
[fol. 77] moval or deletion so that this court can confine its attention to material properly relevant and of record in connection with these appeals.

Certain of the pages objected to purport to reproduce requests for admission and interrogatories, and their answers, which in actuality were never offered in evidence and are not of record. Aro's complete offer in these respects appears at R. 263-4; and for convenience, this offer is reproduced hereinafter:

> "[512] Mr. Wolf: Your Honor, I should like to offer in evidence certain Defendants' Requests for Admis-

sions and the Answers as well as Interrogatories. With your Honor's permission I would merely give the Interrogatory numbers and the Requests for Admission numbers, and perhaps that would suffice.

"The Court: All right.

"Mr. Wolf: Interrogatories 1 through 6, 8, 10, 12-A and 12-B, 18, 22, 24, 25, 26, 88 and 89, and the Answers thereto. I should also like to offer in evidence Defendants' Requests for Admissions 7, 8, 9, 12, 13, 26, 27, and the answers to 27-MM and VV and 43."

In Aro's Record Appendix in 5991 (gray cover) pages 15-18 reproduce interrogatory 16, requests for admission 29, 33 and 58, and an exhibit referred to in request 58. As will be appreciated by comparison with Aro's actual offer of proofs, quoted above, none of this material is in the record; and it should therefore be stricken.

The material appearing in Aro's Record Appendix in 5991 (gray cover) starting at the bottom of page 26 and continuing through the top of page 56 constitutes testimony, exhibits, etc., taken in an accounting procedure subsequent to Judge Aldrich's decision. This accounting proceeding was never completed and was, to the contrary, stayed on Aro's motion. No Master's Report was ever filed nor was the "evidence" taken therein ever ruled upon by either the [fol. 78] Master or the Court. Moreover, none of this material relates to the real issues in this appeal, i.e., Convertible Top Replacement Company's right to recover as to tops for unlicensed Ford cars, the obligation of the trial court to hold the patent valid, and the sufficiency of appellant's pleadings and proofs during the original trial insofar as those proofs and pleadings relate to Aro's present allegations of antitrust violation. Moreover, the very dates of all this material demonstrates that it all took place subsequent to the closing of proofs before Judge Aldrich. As such, this material is not a part of the real record before this court, is unnecessary, irrelevant, and improper; and should therefore be stricken.

The material appearing at pages 56 through 65 of Aro's Appendix in 5991 (gray cover) comprises excerpts from a very recent transcript and from memoranda relating to

the posting of a bond, extracts from other memoranda filed by the parties even more recently, and reproductions of letters written to the court by counsel still more recently. None of this material comprises a portion of the record; and none of it is necessary to consideration of the issues on these appeals. It should therefore be stricken in its entirety.

The material appearing at pages 10-13 of Aro's "Brief for Appellees" (green cover) refers throughout to the objectionable materials detailed above. It purports to interpret various accounting exhibits, reproduces a portion of an affidavit (pages 10-11) not of record in this case and filed indeed in a completely separate proceeding in the District of Columbia; and reproduces out of context a portion of a very recent letter written by counsel.

[fol. 79] The material appearing at pages 9-12 of Aro's "Brief for Appellants etc." in No. 5993 (blue cover) is the same as pages 10-13 in Aro's green cover brief in 5993; and is objectionable for the same reasons. Moreover, the material commencing at the bottom of page 12 and continuing through the top of page 14 of Aro's blue cover brief in 5993 purports to interpret the accounting evidence by arbitrarily assuming a royalty rate and then using that assumed royalty rate in an elaborate mathematical exposition. The evidence in the accounting procedure has not as yet been ruled upon and is not a part of the record which should be considered by this court; nor is there any showing that the figures selected and treated at these pages are realistic or accurate. This court should not be required to check Aro's arithmetic, particularly when it is based on figures not of record.

The "Record Appendix", pages 67-70 at the end of Aro's blue cover brief in 5993, is also entirely improper. The reproduction from "Defendants' Answer" appearing at the top of page 67 has, with the exception of the two lines constituting Section "d", already been reprinted at R. 11-12, wherefore there was no need to reprint this material in its entirety. The material commencing at the bottom of page 67 and continuing through the upper half of page 69 relates to the accounting procedure, wherefore it is objectionable for the reasons previously stated. The material appearing

on the lower portion of page 69 and continuing on to page 70 reproduces portions of a motion, of a proposed judgment, and the notice of cross appeal filed by Aro; and none of this material is necessary to consideration of the instant appeals.

[fol. 80] For the foregoing reasons, it is submitted that Aro has printed in very large part material which is unnecessary to and improper in this matter. Aro should be required to delete this material bodily from all copies of papers now filed in this court. Indeed, it is submitted that Aro's gray cover "Record Appendix" in 5991 should be stricken in its entirety since the few parts thereof which are not technically objectionable are so submerged in the bulk of improper material submitted as to impede proper consideration of the real record by this court.

Respectfully submitted,

Paul V. Power, 82 Devonshire Street, Boston, Massachusetts, Counsel for Convertible Top Replacement Company, Inc.

Of Counsel: Elliott I. Pollock, 904 Ring Building, Washington 6, D. C.

[fol. 81]

IN UNITED STATES COURT OF APPEALS

ORDER DENYING MOTION TO STRIKE—June 29, 1962

It is ordered that the motion to strike, filed by Convertible Top Replacement Company, Inc., be, and the same hereby is, denied, without prejudice to renewal in its brief, at the oral argument, or upon taxation of costs.

By the Court: Roger A. Stinchfield, Clerk.

MINUTE ENTRY OF ARGUMENT—October 3, 1962

Thereafter, on October 3, 1962, this cause came on to be heard and was fully heard by the Court, Honorable Peter Woodbury, Chief Judge, and Honorable John P. Hartigan and Honorable Bailey Aldrich, Circuit Judges, sitting.

[fol. 83]

IN UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

No. 5991

CONVERTIBLE TOP REPLACEMENT CO., INC.,
Plaintiff-Appellant,

v.

ARO MANUFACTURING CO., INC., et al.,
Defendants-Appellees.

No. 5993

ARO MANUFACTURING CO., INC., et al.,
Defendants-Appellants,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
Plaintiff-Appellee.

CROSS-APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

Before Woodbury, Chief Judge, and Hartigan and Aldrich, Circuit Judges.

Elliott I. Pollack, with whom Paul V. Power was on brief, for Convertible Top Replacement Co.

Charles Hieken, with whom David Wolf and Ezekiel Wolf, Wolf and Greenfield were on brief, for Aro Manufacturing Co., Inc., et al.

WOODBURY, Chief Judge.

Upon receipt of the mandate of the Supreme Court in *Aro Mfg. Co., Inc.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), the court below after hearings [fol. 84] entered a judgment which, as amended, ordered, adjudged and decreed: (1) that by virtue of a territorial grant the plaintiff, Convertible Top Replacement Co., Inc., was possessed of the right, title and interest in the Mackie-Duluk patent No. 2,569,724 in the Commonwealth of Massachusetts, (2) that neither the corporate defendant, Aro Manufacturing Co., Inc., nor the individual defendants, either individually or as co-partners doing business as to Aro Top Sales Company, had infringed claims 3, 4, 5, 7, 8, 9 and 10 of the above patent, (3) that the plaintiff's amended complaint be dismissed with costs to the defendant of $3,841.77 and (4) that the defendants' counterclaim for a declaratory judgment be dismissed without prejudice and without costs. In No. 5991 the plaintiff below as appellant here contends that this judgment is erroneous in that it fails to make any distinction between replacements of the fabric portions of convertible automobile tops for General Motors cars, which were licensed under the patent, and those for Ford cars, which were not, and in that it fails to order, adjudge and decree that the Mackie-Duluk patent is valid. In No. 5993 the defendants below as appellants here contend that the judgment is erroneous because it fails to award them such damages as they may be able to establish in future proceedings, plus attorney's fees, trebled, for antitrust law violation by the plaintiff. We shall consider the appeals in numerical order but to dispose of the respective contentions of the parties it will be helpful to review the judicial proceedings in this tortuous litigation.

It began in April, 1956, with a complaint, later amended, by Convertible Top Replacement Co., Inc., C.T.R. hereinafter, which charged the defendant, Aro Manufacturing Co., Inc., and its principal officers, hereinafter collectively Aro, with infringement and contributing to the infringement of U. S. Patent No. 2,569,724 issued on October 2,

1951, to Harry A. Mackie and Stanley Duluk for "Con-
[fol. 85] vertible Folding Top with Automatic Seal at Rear Quarter" by making, selling and installing specially cut fabric tops for use in the patented structure. The defendants answered denying the basic allegations in the complaint, alleging patent misuse and specifically asserting that the patent is invalid and if valid not infringed. The defendants also filed a counterclaim for a declaratory judgment that the patent had been misused, that it was invalid and if valid not infringed. A defendant's motion for summary judgment based on affidavits and answers to interrogatories was denied and the case went to trial by the court sitting without a jury.

The district court after full hearing found that the plaintiff as assignee was entitled, by virtue of a territorial grant, to sue on the patent in Massachusetts, that the defendants had "clearly not made out" their claim that the plaintiff had misused its patent and that the defendants had not established their basic defense of invalidity.[1]

The court then turned to the question of infringement which it said had two aspects. Referring to the established fact that General Motors Corp. was licensed under the Mackie-Duluk patent while Ford Motor Co. was not, the court said: "As to the former, defendants are protected if their fabrics are to be regarded as mere repair, and not reconstruction. As to the latter, defendants have no protection against a claim for contributory infringement under § 271(c) if they made a material part, with knowledge that it was to be used in a patented structure, which was not a staple article of commerce suitable for substantial non-infringing use." The court summarily dis-
[fol. 86] posed of the issue of infringement insofar as unlicensed Ford Motor Co. cars were concerned by finding that there was no substantial non-infringing use for fabric tops

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[1] It found: "Mackie-Duluk was a substantial and enlightened step, filling a long-felt want, in a field in which defendants have produced, with one exception [*i.e.* a patent to one Ackermans discussed at length and distinguished] only paper patents, the most emphasized being foreign, which did not even purport to do what Mackie-Duluk accomplished."

specially made by the defendants for the cars of that manufacturer having the Mackie-Duluk top structure, which fabrics, it said, " . . . are admittedly purposely designed for, and advertised for, Mackie-Duluk tops." The court gave more extended consideration to the question dispositive of the issue with respect to infringement by replacing the fabric part of convertible tops on licensed General Motors Corp. cars, *i.e.* whether such replacement constituted mere repair or major reconstruction.

Finding that replacing the fabric tops on cars of that manufacturer was "not permissive repair" the court entered an interlocutory judgment that the Mackie-Duluk patent was good and valid in law as to its claims 3, 4, 5, 7, 8, 9 and 10, that the defendants had infringed or contributorily infringed those claims with respect to both Ford and General Motors cars, that the defendants be enjoined from further infringement and that the question of the plaintiff's damages be referred to a master, with costs to the plaintiff.

On appeal this court affirmed, 270 F.2d 200 (1959).

We took the validity of the Mackie-Duluk patent for granted for the reason that the issue of its validity had hardly been argued at all and because we were not even sure that all the evidence on that issue had been included in the parties' joint record appendix. Our attention at that time was directed primarily to the basic question argued before us by the appellants, that is, to the question whether replacing the fabric portion of the patented tops for convertible automobiles constituted a permissible repair of the patented structure or an impermissible reconstruction of it, upon the answer to which the issue of contributory infringement with respect to licensed General [fol. 87] Motors cars depended. We did not specifically consider infringement with respect to unlicensed Ford Motor Co. cars for that question was not greatly stressed and we were convinced from the evidence that the court below was clearly correct in its conclusion that the defendants' custom made tops specifically designed and advertised for those cars constituted "a material part of the invention" and were not "a staple article of commerce suitable for substantial non-infringing use" within the meaning of 35

U.S.C. § 271(c). Nor did we specifically consider any question of possible patent misuse by the plaintiff-appellee, for, although the defendants-appellants argued patent misuse orally and in their brief, their statement of the questions involved pursuant to Rule 24(3)(b) of this court quoted in the margin[2] did not set forth or necessarily suggest any such question. Moreover, no issue of patent misuse was presented by the pleadings insofar as printed in the parties' joint record appendix on that appeal. Allegations of misuse in the defendants' answer, and an allegation of misuse in their counterclaim were omitted from their answer and counterclaim as printed in the joint record appendix then before this court. Only now has Aro's counsel supplied those omitted allegations. He has included the heretofore omitted allegations of patent misuse as made in his answer in his record appendix as counsel for the appellees in No. 5991 and his allegation of misuse in his counterclaim in his record appendix as counsel for the appellants in No. 5993.

[fol. 88] The Supreme Court granted certiorari allowing the United States to file a brief as *amicus curiae* in support of the petition, 362 U.S. 902 (1960). It denied a motion of the American Patent Law Association for leave to file a brief as *amicus curiae*, 364 U.S. 806 (1960), and reversed, *Aro Manufacturing Co., Inc., et al.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), petition for rehearing or alternative motion for amendment or clarification of opinion denied, 365 U.S. 890 (1961), and remanded the case to the court below for further proceedings in conformity with its opinion. The judgment from which the present appeals have been taken was entered in an attempt to carry out that mandate. To see whether it has succeeded we turn to the Supreme Court's opinion.

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[2] "The brief of the appellant or petitioner shall contain the following matter . . .

. . .

"(b) A statement of the questions involved, setting forth each question separately, in the briefest and most general terms, without names, dates, amounts or particulars of any kind. Ordinarily no point will be considered which is not set forth in or necessarily suggested by the statement of questions involved."

The opinion of the Court written by Mr. Justice Whittaker, after summarizing the facts, notes at page 338 that the validity of the patent was not challenged. The opinion then continues:

> "The principal, and we think the determinative, question presented here is whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination. More specifically, and limited to the particular case here, does the car owner infringe (and the supplier contributorily infringe) the combination patent when he replaces the spent fabric without the patentee's consent?"

The Court then went on to point out, page 339, that the fabric portion of the tops was an unpatented element of the combination patent because: "The patent makes no claim to invention based on the fabric or on its shape, pattern or design." Wherefore the Court said it was immaterial whether the shape of the fabric might have been patentable. From the foregoing the Court on the next [fol. 89] page of its opinion said: "It follows that petitioners' [Aro's] manufacture and sale of the fabric is not a *direct* infringement under 35 U.S.C. § 271(a)," but that the question remained whether such manufacture and sale constituted "a *contributory* infringement of the patent under 35 U.S.C. § 271(c)." Whether it did or not the Court said on page 341 depended upon whether "replacement by the purchaser himself would in itself constitute a *direct* infringement under § 271(a), for it is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement." Then on page 342, saying that § 271(a) "left intact the entire body of case law on direct infringement," the Court posed the ultimate question before it as follows:

> "The determinative question, therefore, comes down to whether the car owner would infringe the combination patent by replacing the worn-out fabric element

> of the patented convertible top on his car, or even more specifically, whether such a replacement by the car owner is infringing 'reconstruction' or permissible 'repair.'"

The Court summarized its answer to this question on page 346 in the following words:

> "The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' *United States* v. *Aluminum Co. of America, supra*, at 425, after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented entity, as, for example, in *Cotton-Tie Co.* v. *Simmons, supra*. Mere replacement of individual unpatented parts, one at a time, whether of the same [fol. 90] part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property. Measured by this test, the replacement of the fabric involved in this case must be characterized as permissible 'repair,' not 'reconstruction.'"

It is clear from the foregoing quotations from the opinion of the Court that the attention of the four justices who joined in that opinion was focused on the question of reconstruction versus repair which underlies the question of contributory infringement with respect to replacement tops for licensed General Motors cars but not for unlicensed Ford cars. And the same may be said of the opinions of the concurring and dissenting justices. The only suggestion that other considerations underlie the question of infringement by replacing the fabric portions of tops on unlicensed Ford cars is to be found in the final sentence of Mr. Justice Brennan's concurring opinion (p. 368) which reads: "I, therefore, think that the judgment of the Court of Appeals must be reversed, except, however,

as to the relief granted respondent in respect of the replacements made on Ford cars before July 21, 1955."[3]

The puzzling question is whether the Supreme Court in reversing this court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned.

What the Court said in its opinion gives us little help. What it did not say, however, seems to us to indicate that it was not deciding the question of contributory infringement with respect to unlicensed Ford cars.

In the first place this would seem to be the interpretation placed upon the Court's opinion by Mr. Justice Brennan. Otherwise he would not have concurred generally but [fol. 91] would have concurred only in part and dissented in part. We think he must have meant to suggest only that the Court be more specific.

In the second place, neither in the opinion of the Court nor in the opinions of the concurring justices is any mention made of the basic rule established in many cases which, the Court said, was "left intact" by § 271(a), that not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use.[4] Therefore, a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top, for by the purchase of his car he obtained no license to use the patented structure, even less to repair it.[5] And one

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[3] The date mentioned is the date of a release and license granted to Ford Motor Co. by C.T.R.'s assignor. It may be that under that document the critical date is December 31, 1955.

[4] See *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884); *Sanitary Refrigerator Co.* v. *Winters*, 280 U.S. 30 (1929) (infringement by both the manufacturer (Dent Hardware Co.) and user (Sanitary Refrigerator Co.) of the patented product); and see *General Talking Pictures Corp.* v. *Western Electric Co.*, 305 U.S. 124, 127 (1938), where it is said: "Pictures Corporation . . . is in no better position than if it had manufactured the amplifiers itself without a license. It is liable because it has used the invention without license to do so."

[5] On the necessity for an implied license to repair, see *Thomson-Houston Electric Co.* v. *Ohio Brass Co.*, 80 Fed. 712, 723 (C.A. 6, 1897); *Union Special Machine Co.* v. *Maimin*, 161 Fed. 748, 750

who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or [fol. 92] especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops for unlicensed Ford cars) and not, as the District Court originally found and this court agreed, a staple article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) quoted in the margin.[6]

Since none of the foregoing matters relevant to replacement tops for unlicensed Ford cars was mentioned or, except for Mr. Justice Brennan, even suggested, we can hardly assume any decision with respect to them.[7] The Court's silence seems significant. We cannot lightly as-

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(C.C.Pa., 1908), *affirmed* 165 Fed. 440 (C.A. 3); *National Brake & Electric Co.* v. *Christenson*, 38 F.2d 721, 723 (C.A. 7, 1930); *Remington Rand Business Service, Inc.* v. *Acme Card System Co.*, 71 F.2d 628, 639 (C.A. 4, 1934); *Electric Auto-Lite Co.* v. *P. & D. Mfg. Co.*, 109 F.2d 566, 567 (C.A. 2, 1940); and *Ruth* v. *Stearns-Roger Mfg. Co.*, 13 F.Supp. 697, 712-13 (D.Colo. 1935); Cf. Deller's Ed. of Walker on Patents, Sec. 379, at pp. 1486-87.

[6] "(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

[7] In further support of the view that the attention of the members of the Court was concentrated on the situation with respect to licensed General Motors cars, we note that apart from Mr. Justice Brennan's express reference to a distinction between Ford and General Motors top replacements there are indications in the opinion of the Court that the licensed-unlicensed distinction was recognized and only the licensed situation considered. Among these "clues" in Mr. Justice Whittaker's opinion are his statement at p. 344 that the patent licensee's, C.T.R.'s, contention would involve a "new license" and "another royalty" and his conclusion at p. 345

sume that the Court would *sub silentio* overrule a very substantial body of authority on direct infringement, which it specifically said remained "intact," and then construe § 271(c) in such a way as practically to leave it a dead letter. We therefore conclude that our previous decision [fol. 93] in this case was not reversed insofar as unlicensed Ford cars are concerned. To carry out the Supreme Court's mandate we think the court below should enter a judgment that the Mackie-Duluk patent is valid as to the claims enumerated and contributorily infringed with respect to replacement tops for unlicensed Ford cars.

We come now to Aro's contention as appellant in No. 5993 that it is entitled to a decree that the plaintiff below, C.T.R., violated the antitrust laws and thereby rendered itself liable to three times the damages, including counsel fees, which Aro may be able to establish in further proceedings. The short answer to this contention is that Aro has never pleaded a cause of action under the antitrust laws.

It alleged patent misuse in its answer to the complaint. But it did not print those allegations in the joint record appendix before us on the previous appeal nor, in its brief on that appeal, did it mention patent misuse in its statement of the questions involved. Patent misuse as a defense was clearly abandoned.[8] Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis. So

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"that a license to use a patented combination includes the right" to repair. In his concurring opinion, Mr. Justice Black must have had the licensed situation in mind in asserting, at p. 360, that "one royalty to one patentee for one sale is enough. . . ." And Mr. Justice Harlan, in his dissenting opinion, states at p. 369, "The underlying rationale of the rule is of course that the owner's *license to use* the device carries with it an *implied license* to keep it fit for the use for which it was intended." (Emphasis added.)

[8] The Supreme Court in a footnote at page 344 of its opinion said that the doctrine of patent misuse was "not an issue in this case."

much for the allegations of patent misuse in the defendants' answer.

But in addition to the allegations in its answer, Aro alleged in its counterclaim: "That this court find and enter a decree herein that said Patent No. 2,569,724 has been misused." And this its counsel argues is a sufficient allegation of a cause of action under the antitrust laws because, he says, the record shows that Aro is entitled to [fol. 94] damages for violation of those laws, and Rule 54(c) of the Federal Rules of Civil Procedure provides: " . . . every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings."

Even if we assume that the allegation of patent misuse in Aro's counterclaim has somehow survived to this stage of the litigation, the Rule quoted from above does not authorize a grant of the relief requested. That Rule should be liberally construed to grant a prevailing party substantial justice. But it is not to be so liberally construed as to conflict with the requirement of Rule 8(a) that a pleading which sets forth a claim for relief, whether on original claim or a counterclaim, shall contain a short and plain statement of the claim showing that the pleader is entitled to relief and a demand for judgment for the relief to which he deems himself entitled. There is no merit whatever in this appeal.

A judgment will be entered vacating the judgment of the District Court and remanding the case to that Court for entry of a judgment in conformity with the views expressed in this opinion.

[fol. 95]

IN UNITED STATES COURT OF APPEALS

JUDGMENT—December 13, 1962

This cause came on to be heard on cross-appeals from the United States District Court for the District of Massachusetts, and was argued by counsel.

Upon consideration whereof, It is now here ordered, adjudged and decreed as follows: The judgment of the

District Court is vacated and the case is remanded to that Court for entry of a judgment in conformity with the views expressed in the opinion filed this day.

By the Court: Robert A. Stinchfield, Clerk.

Approved: Peter Woodbury, Ch. J.

[fol. 96] Clerk's Certificate to foregoing transcript (omitted in printing).

[fol. 97]

In United States Court of Appeals

For the First Circuit

No. 5488

Aro Manufacturing Co., Inc., et al.,
Defendants-Appellants,

v.

Convertible Top Replacement Co., Inc.,
Plaintiff-Appellee.

Appeal from the the United States District Court for the District of Massachusetts.

Before Magruder, Chief Judge, and Woodbury and Hartigan, Circuit Judges.

Opinion of the Court—August 31, 1959

* * * * * * *

[fol. 98] * * * The defendants manufacture and sell, for replacement purposes only, the fabric portions of convertible tops which they either install themselves or sell pre-fabricated for installation by trimmers, that is to say, persons engaged in the business of putting on new tops, repairing upholstery etc., and, to an insignificant extent, to do-it-yourself car owners. The defendants' tops are custom-designed by make of car and year of manufacture to permit accurate replacements on all standard cars manufactured in the United States and are so advertised. They pre-fabricate and keep in stock the fabric parts only of convertible tops for various models of cars manufactured by the Ford Motor Company from 1952 to 1955, and for many models of General Motors cars manufactured for the years 1950 to 1954, when many convertible automobiles produced by those two manufacturers were equipped with Mackie-Duluk tops.

• • • • • • •

[fol. 99]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

Civil Action No. 56-357A

CONVERTIBLE TOP REPLACEMENT CO. INC., Plaintiff,

vs.

ARO MANUFACTURING CO. INC., et al., Defendants.

• • • • • • •

—54—

[fol. 100] Deposition of RICHARD S. WRIGHT, July 2, 1958.

• • • • • • •

Q. Who conducted the negotiations between Automobile Research and Convertible Top?

A. I have no knowledge. I suspect it was Mr. Hall.

Q. Who would have knowledge?

A. Mr. Hall would.

Q. I mean it just didn't happen? The agreement didn't appear in front of Mr. Wharton, I presume?

A. No, it was sent up. I recollect the reasons were,

—55—

[fol. 101] there was a tax we hoped to convert some income from Automobile which was in a tax bracket, over into capital gains. That was the justification.

* * * * * * *

[fol. 102]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

Civil Action No. 56-357-A

CONVERTIBLE TOP REPLACEMENT CO., INC., Plaintiff,

vs.

ARO MANUFACTURING CO., INC., et al., Defendants.

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* * * * * * *

—9—

[fol. 103] Deposition of WILLIAM D. HALL, July 3, 1958.

Q. When did you first become aware of Convertible Top?

A. Well, that happened a long time ago. I couldn't remember any exact dates, but I believe that I suggested to some of the people that they have the corporation formed or that they form it or that it be formed some time before it was actually formed.

Q. What was the reason for your suggestion?

A. The reason for the suggestion, as I remember it, was that Automobile Body Research Corporation had been receiving large sums and license fees from the replacement business, which was ordinary income and that there have been rulings of the Internal Revenue that a party in that business can from time to time take advantage of capital gains if they sell territorial grants, provided they don't sell too many.

If their major business is granting licenses and then occasionally they sell a territorial grant, why that sale would be the transfer of the capital asset.

Exactly who brought that up in the beginning, I don't know, but that had come up and so I knew that Automobile Body was interested in selling such a grant in the hope of qualifying under the law.

—10—

[fol. 104] Q. In other words, you were suggesting the organization of a separate corporate entity for the purpose of purchasing a right from Automobile Body Research, is that correct?

A. I think that would be a correct statement.

* * * * * * *

—82—

[fol. 105] Q. I invite your attention to paragraph two, or I should say clause two of agreement, which reads as follows, in part:

"Ford hereby agrees to pay AB the total sum of seventy-three thousand dollars ($73,000), for the release set forth in paragraph one payable as follows."

Do you have any information concerning this sum of $73,000 and how it was arrived at?

A. Yes. I very clearly remember how that sum was arrived at.

We had been negotiating for some time. At an early stage of each session when we were negotiating one of the first things that I brought up was what they were to get for the $73,000, or, rather, what they were to get for what-

—83—

[fol. 106] ever figure we finally arrived at.

Of course, in this transaction one of the major items of dispute was going to be the amount of money and the greater part of the negotiations constituted discussions leading to figuring out what each party would agree on and we stated at the outset of all this, that we could give them a lower figure than otherwise if it was made perfectly clear that any release or license or whatever might be finally agreed upon extended only to the car as long as it had the original top on and that once the original top was replaced,

that any license or release or anything else that we ultimately agreed on terminated and that, therefore, whoever put the new top on would be required to have a license to do so, and that, therefore, we would be in a position to collect more money and if that was made clear that then we could negotiate at a lower figure than would be required if Ford was getting for its customers all the rights to go ahead and do anything they wanted with the car.

Q. Is it your understanding that that basis for the $73,000 figure was included in any way in this final executed agreement with Ford?

A. Oh, yes. When Mr. Harris called me up on the telephone and read it to me, that is the first question I asked him:

Has he done anything in here that is going to change that

—84—

[fol. 107] situation?

And he said, no.

And so then, I told him, well, read on, and as he read it to me, I was in agreement with him that he had not altered our prior understanding in that regard.

* * * * * * *

—88—

[fol. 108] The Witness: It was definitely stated by me that there were these other people who were making these replacement fabrics.

Mr. Wolf: I believe you already stated that, haven't you?

—89—

[fol. 109] The substance of what you are saying now was stated before.

The Witness: I think I have stated it before, but just to complete it, so I don't stop in the middle of a sentence, I will say that I have definitely told them that there were these other replacement top manufacturers and that if we were left in a position to collect royalty from them, that obviously we could give Ford a lower rate, and that is what Ford said they wanted, that they weren't interested in buying any sort of a release or license or anything else that would help out these replacement top people, that all they wanted was—

Mr. Wolf: I believe this has all been gone into, Mr. Pollock.

Mr. Pollock: Well in view of that, let's continue along another line.

* * * * * * *

[fol. 110]

SUPREME COURT OF THE UNITED STATES

No. 833—October Term, 1962

ARO MANUFACTURING CO., INC., et al., Petitioners,

vs.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ORDER ALLOWING CERTIORARI—April 1, 1963

The petition herein for a writ of certiorari to the United State Court of Appeals for the First Circuit is granted, and the case is placed on the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

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Supreme Court of the United States

OCTOBER TERM, 1962 3

No. [redacted] 75

ARO MANUFACTURING CO., INC., ET AL.,
PETITIONERS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
RESPONDENT.

PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT
AND
MOTION FOR LEAVE TO USE RECORD IN
365 U. S. 336

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Supreme Court of the United States

OCTOBER TERM, 1962

No.

ARO MANUFACTURING CO., INC., ET AL.,
PETITIONERS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
RESPONDENT.

Motion for Leave to Use Record in 365 U.S. 336

Petitioners, Aro Mfg. Co., Inc., et. al. respectfully move for leave to use the record in *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336. The fact that volumes I and II of that record were part of the printed record before the court below was certified by the Clerk of the court below on page 74 of the Certified Copy of Record Appendices and Proceedings in the court below to and including December 26, 1962. The questions presented in the instant petition relate largely to circumstances established by the record before the Court in 365 U. S. 336.

Respectfully submitted,

DAVID WOLF
CHARLES HIEKEN
Counsel for petitioners.

PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

Aro Manufacturing Co., Inc., et al.[1] pray that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the First Circuit, entered in the above-entitled case on December 13, 1962.

Citations to Opinions Below

The District Court entered judgment without opinion following remand from this Court, 365 U.S. 336. The opinion of the Court of Appeals printed in Appendix A hereto, *infra* 1a-11a, is reported in F.2d , 136 U. S. P. Q. 9.

The opinion of the District Court (R. 33-41)[2] incorporated by reference in the interlocutory judgment (R. 42-44) is reported in 119 U. S. P. Q. 122. The opinion of the Court of Appeals (R. 647-55) affirming that interlocutory

[1] John R. Hamlin, George Shapiro, Harold Shapiro, Mae Shapiro and Marshall Shapiro.

[2] The printed record to which reference is made in this petition includes three volumes previously before the Court in No. 21 O.T. 1960, 365 U.S. 336. Volumes I, II and III contain pp. 1-403, 405-622 and 623-656, respectively. Reference to these three volumes is by "R.". The printed record also includes a record appendix to respondent's brief as appellant below embracing pp. 1-3, a separately bound record appendix to the brief which petitioners filed as appellees below embracing pp. 5-65 and a record appendix to their brief as appellants below embracing pp. 67-70. Pages 1-3 and 67-70 have been reprinted and inserted in each of the nine copies of the separately bound record appendix filed with this petition. Reference to these record appendices is by "RA.".

judgment is reported in 270 F.2d 200, 122 U. S. P. Q. 536. The opinion of the District Court denying respondent's motion to supplement the pleadings and modify the order of reference to the Master (RA. 38-40) is reported at 123 U. S.P.Q. 340.

Jurisdiction

The judgment of the Court of Appeals was entered on December 13, 1962. The jurisdiction of this Court is invoked under 28 U. S. C. Section 1254 (1).

Questions Presented

This Court reversed the interlocutory judgment of the Court of Appeals. *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U. S. 336. The Court of Appeals construed the mandate of this Court as not reversing this prior Court of Appeals judgment *in toto* and reinstated a portion of that prior judgment. That prior reversed judgment had ordered an accounting and enjoined petitioners from making, selling and installing unpatented fabrics to replace spent ones in both Ford and General Motors convertibles having automatic folding top assemblies covered by respondent's combination patent.

Upon remand directly from this Court the District Court entered final judgment dismissing respondent's complaint for patent infringement with prejudice and petitioners' counterclaim seeking declaratory and general relief without prejudice. In vacating that final judgment, the Court of Appeals distinguished between General Motors and Ford cars and concluded that petitioners' liability for selling unpatented replacement fabrics for Ford cars depended upon the interpretation of a private agreement between

respondent's assignor and Ford. Ford there promised to pay for a release from liability for patent infringement arising from the manufacture, use and sale of Ford convertibles embodying respondent's combination patent, but respondent's assignor expressly retained and exercised the right to license the manufacture, use and sale of the unpatented replacement fabrics.

The questions presented are:

1. Whether the Court of Appeals could reinstate a portion of its judgment reversed by this Court and confer patent monopoly over some unpatented replacement fabrics when the Court stated:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be.

2. Whether the owner of a Ford Motor Company car could be sued under 35 U.S.C. § 271 for direct infringement (and petitioners for contributory infringement) of the combination patent because he replaced the spent unpatented fabric without the patentee's consent.

3. Whether a private agreement releasing owners of Ford convertibles from liability for infringement of the combination patent, but expressly retaining the right to license the manufacture, use and sale of the unpatented replacement fabrics, authorizes the patentee to thereafter exercise patent monopoly over any of those unpatented replacement fabrics.

4. Whether the Court of Appeals could ignore respondent's inequitable conduct which would have served as an independent basis in support of the final judgment of the District Court favorable to petitioners because the Court of Appeals concluded that the defense of misuse had not been presented in the prior appeal from the interlocutory judgment when the record was supplemented with material not in the record on the prior appeal from the interlocutory judgment and showed that respondent's formation and acquisition of just a Massachusetts territorial grant in one of two combination patents was for the purpose of suing the Massachusetts petitioners as part of agreeing, combining and conspiring to illegally restrain trade in unpatented replacement fabrics.

5. Whether the construction of Section 271(c) by the Court of Appeals conferring patent monopoly over the unpatented replacement fabrics for Ford Motor Company cars is authorized by Article I, Section 8 of the Constitution when the fabric element itself is not the discovery of an inventor.

6. Whether a final judgment can include an advisory finding, not relevant to deciding the case or controversy between the parties, that the patent is valid.

7. Whether FED. R. CIV. P. 54(c) requires that a final judgment shall grant the relief of recovery of treble damages to which the prevailing petitioners in this patent infringement suit are entitled under the antitrust laws when the petitioners alleged improper restraint of commerce through extension of the patent monopoly in their answer and counterclaim but without a specific request for treble damages.

Statement Under Rule 33(2)(b)

Since the proceeding draws into question the constitutionality of 35 U.S.C. § 271 (c) as construed by the Court of Appeals, an Act of Congress affecting the public interest, and neither the United States nor any agency, officer or employee thereof is a party, it is noted that 28 U.S.C. § 2403 may be applicable.

No court of the United States as defined by 28 U.S.C. § 451 has, pursuant to 28 U.S.C. § 2403, certified to the Attorney General the fact that the constitutionality of such Act of Congress has been drawn in question.

Constitutional Provision Involved

The Congress shall have Power . . . To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries. U. S. Const, art. 1, § 8.

Statutory Provisions Involved

The statutory provisions involved are 35 U.S.C. Sections 112, 271 and 282 of the patent laws and 15 U.S.C. Sections 1-3, 7, 14, 15 and 18 of the antitrust laws. 69 Stat. 282 (1955), 64 Stat. 1125 (1950), 26 Stat. 209 (1890), 38 Stat. 730 (1914). They are printed insofar as pertinent in Appendix B, *infra*, pp. 1b-4b.

Federal Rules of Civil Procedure Involved

Rule 8(a), (f):

(a) Claims for Relief. A pleading which sets forth a claim for relief shall contain . . . a short and plain state-

ment of the claim showing that the pleader is entitled to relief, and a demand for judgment for the relief to which he deems himself entitled . . . .

(f) All pleadings shall be so construed as to do substantial justice.

Rule 54(c):

(c) . . . Except as to a party against whom a judgment is entered by default every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings.

Statement

On February 27, 1961 the Court held, without distinguishing between Ford and General Motors cars, that petitioners' manufacture, installation and sale of unpatented fabrics to replace spent fabrics in convertible automobiles embodying respondent's combination patent neither infringed nor contributorily infringed respondent's rights in its Massachusetts Territorial Grant under the combination patent.[3] Respondent then filed a petition for rehearing or alternative motion for amendment or clarification of opinion, urging the Court to revise or clarify its opinion so as to confer patent monopoly over those fabrics sold for Ford cars (RA. 57-58).[4] This petition or motion was denied on April 17, 1961.[5] The Court then remanded the case to the District Court for further proceedings in conformity with the opinion of the Court and awarded costs in this Court to petitioners (RA. 7).

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[3] 365 U.S. 336.

[4] *Id.*, Respondent's Petition for Limited Rehearing or Alternative Motion for Amendment or Clarification of Opinion. The same contention was asserted in respondent's brief on the merits. *Id.*, Brief for Respondent pp. 73-76 (RA. 57).

[5] 365 U.S. 890.

On August 29, 1961, the District Court entered final judgment holding the patent valid, not infringed or contributorily infringed, dismissing respondent's complaint with costs to petitioners and dismissing defendants' counterclaim without costs (RA. 8-9). The judgment did not include a conclusion sought by the petitioners that the record then before the court required granting relief to the petitioners for the harm caused by respondent's antitrust law violations in restraining trade in unpatented replacement fabrics (RA. 8, 69-70). Questions arising under the patent and antitrust laws served as a basis for invoking the jurisdiction of the District Court.

On February 16, 1962 the District Court entered an amended final judgment removing the finding of validity from the final judgment [6] and expressly stating that the dismissal of petitioners' counterclaim was without prejudice (RA. 2-3). Respondent appealed from the refusal of the District Court to confer patent monopoly over the unpatented fabrics for replacing spent ones in Ford Motor Company cars, and petitioners cross-appealed from the refusal of the District Court to grant relief to the petitioners for harm caused by the respondent's antitrust law violations in restraining trade in unpatented replacement fabrics (RA. 8, 69-70) established by the record.

On June 28, 1962 respondent moved to strike petitioners' entire record appendix (RA. 5-65) to their brief as appellees, related largely to respondent's inequitable conduct and antitrust law violations, and portions of their briefs both as appellees and appellants "as constituting matters unnecessary to and not properly in the record for purposes of these appeals." [7] Respondent argued that stipulations,

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[6] We relied on *Elec. Fittings Corp.* v. *Thomas & Betts Co.*, 307 U.S. 241 (1939) in support of removing the finding of validity (RA. 61).

[7] CERTIFIED COPY of Record Appendices and Proceedings in the Court of Appeals to and including December 26, 1962, hereafter designated "CR.", pp. 75-80.

testimony under oath and exhibits introduced into evidence before the special master related to the accounting conducted during the fall of 1959 after the initial affirmance of the interlocutory judgment by the Court of Appeals and before this Court granted certiorari was not of record. Respondent's motion was denied on June 29, 1962 with leave to renew the motion in its brief, at the oral argument, or upon taxation of costs (CR. 81). Respondent never renewed its motion to strike.

On December 13, 1962 the Court of Appeals vacated the judgment of the District Court and said:

> The puzzling question is whether the Supreme Court in reversing this court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned.
>
> What the Court said in its opinion gives us little help. What it did not say, however, seems to us to indicate that it was not deciding the question of contributory infringement with respect to unlicensed Ford cars. *Infra* 8a.

The Court of Appeals appears to have concluded that since the original owner of the patent, General Motors, had not licensed the Ford car owner to use the whole patented combination, the patentee's consent was also required to replace the spent fabric and to use the replaced unpatented fabric element, citing six lower court decisions, the most recent one decided four years before *Mercoid*.[8]

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[8] *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661; *Mercoid Corp.* v. *Minneapolis-Honeywell Co.*, 320 U.S. 680 (1944). The six lower court decisions are cited *infra* 9a n.5. The only decisions of the Court, other than *Aro*, cited by the court below relate to the patentee's right to exclude both manufacture and use of the patented product, *infra* 9a n.4, as distinguished from the patentee's right to patent monopoly over an unpatented element of a patented combination treated in *Mercoid* and *Aro*.

The Court of Appeals concluded

> that our previous decision in this case was not reversed insofar as unlicensed Ford cars are concerned. *Infra* 10a-11a.

The Court of Appeals also indicated that the extent of petitioners' liability depended upon a private agreement between respondent's assignor and Ford.[9] This agreement was not available to petitioners until after respondent commenced this action.

Petitioners had urged three grounds in support of the District Court judgment in their favor: (1) When this Court wants to affirm in part and reverse in part, or modify, the Court says so.[10] In reversing the judgment of the Court of Appeals enjoining defendants from selling unpatented replacement fabrics for both Ford cars and General Motors cars and ordering an accounting to assess damages for past sales of both Ford and General Motors replacement fabrics, the mandate of the Court ordered the District Court to conform further proceedings with the opinion of the Court. Conferring patent monopoly over the unpatented replacement fabrics for installation in Ford cars is inconsistent with the opinion stating that no element not itself separately patented is entitled to pa ent monopoly

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[9] The court below made reference to a critical date under this agreement between respondent's assignor and Ford (R. 510-13). Ford agreed to pay $73,000. in exchange for a release from liability for infringement of two convertible automobile automatic folding top combination patents arising from manufacture, use and sale of Ford convertibles. Respondent's assignor retained the right to license the manufacture, use and sale of the unpatented replacement fabrics under both combination patents. *Infra* 8a n.3, (R. 512).

[10] We cited *Hartford Empire Co.* v. *United States*, 323 U.S. 386, 435 (1945); *United States v. Univis Lens Co.*, 316 U.S. 241, 254 (1942); and *Timken Roller Bearing Co.* v. *United States*, 341 U.S. 593, 601 (1951) as examples of the Court's disposition of cases where the judgment is reversed in part and affirmed in part.

and pointing out that the basic fallacy in respondent's position is that it requires ascribing to one element of the patented combination the status of patented invention in itself. Neither this portion of the opinion of the Court [11] nor *Mercoid* was discussed by the Court of Appeals.

(2). To construe 35 U.S.C. § 271(c) as conferring patent monopoly over the unpatented replacement fabrics for Ford cars is an unconstitutional construction of the statute because the exclusive right for a limited time which the Constitution authorizes Congress to grant is limited to the discovery of an inventor. The unpatented fabric element is not the discovery of an inventor.

(3). The conduct of respondent and its assignor apparent in the record, including misusing two convertible automobile mechanism combination patents to restrain trade in unpatented replacement fabrics, and other inequitable conduct, did not meet the high standards of conduct required of one seeking to enforce the privilege of a patent in a federal court. Additional evidence of inequitable conduct entered the record after the Court of Appeals affirmed the interlocutory judgment. This additional evidence was therefore not in that record on appeal or previously before the Court.

The Court of Appeals did not mention the constitutional problem. It refused to consider the issue of respondent's inequitable conduct on this appeal from the final judgment because it concluded that misuse was not raised in the prior appeal from the interlocutory judgment. *Infra* 11*a*.

Without discussing whether the record supported petitioners' assertion that respondent, its assignor and its assignor's licensees had agreed, combined and conspired to restrain trade in a not insubstantial volume of unpatented replacement fabrics and harmed petitioners, the

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[11] 365 U.S. at 344-45.

Court of Appeals said that the short answer to petitioners' claim as appellants below for relief under FED. R. CIV. P. 54(c) for antitrust law violations was that petitioners had never pleaded a cause of action under the antitrust laws. *Infra* 11a.

Petitioners had alleged in their answer and counterclaim that respondent's assignor was a party to at least one licensing agreement "improperly extending the scope of the claimed subject matter" of the patent in suit and "has thereby misused said patent and has improperly restrained commerce." (RA. 10-11). The counterclaim included a specific prayer for a declaration that the patent had been misused (RA. 67) and a general prayer for relief (R. 12) but did not include an explicit request for treble damages.

The Court of Appeals acknowledged that FED. R. CIV. P. 54(c), providing that every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings, should be construed broadly to grant a prevailing party substantial justice. *Infra* 12a. But it thought that rule should not be so liberally construed as to conflict with the pleading requirements set forth in FED. R. CIV. P. 8(a) and affirmed that portion of the judgment of the District Court dismissing petitioners' counterclaim without prejudice.

Ten days after the Court of Appeals had entered its judgment on the first appeal (R. 656) affirming the interlocutory judgment of the District Court, respondent's assignor assigned the remaining rights in the United States in the combination patent in suit to respondent (RA. 28-29). Respondent then moved to supplement its pleading to state that it was now the owner of all the rights in the patent in suit, and asked for an order directing that the Master need not segregate damages between Massachusetts

and the rest of the United States (RA. 33). In denying that motion,[12] the District Court said:

> While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plaintiff's ingenuous-appearing explanations [RA. 33-34] as to why it is attempting to increase its bets now that its horse is out in front, and the race, in all probability, over (RA. 38-39).

Reasons for Granting the Writ

1. It has long been thought to be a fundamental principle of appellate procedure that if an intermediate Court of Appeals affirms a trial court judgment enjoining defendants from doing A and B and ordering the defendants to account for doing A and B in the past and the Supreme Court reverses that judgment, the defendants cannot be enjoined from and need not account for doing A or B when the case is remanded by the Supreme Court directly back to the trial court. The interlocutory judgment affirmed by the Court of Appeals enjoined petitioners from selling the unpatented replacement fabrics for both General Motors and Ford cars and ordered the defendants to account for past sales of both Ford and General Motors replacement fabrics (R. 33, 42-44, 123, 648). This Court reversed that judgment. If the Court of Appeals is permitted to reinstate a portion of its prior judgment that this Court had reversed, it confers patent monopoly over

[12] Petitioners had again urged that respondent's inequitable conduct barred it from maintaining this infringement action in opposing that motion and respondent's motion (RA. 35) for entry of a perpetual injunction prohibiting petitioners from selling unpatented replacement fabrics in Massachusetts. The accounting record (RA. 26-33, 35-37, 40-56) had not yet been established.

certain unpatented replacement fabrics. And conferring patent monopoly over any kind of unpatented replacement fabric is inconsistent with the mandate of this Court directing conformity with the opinion of the Court stating,

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how difficult or costly replacement may be. 365 U.S. at 345.

Any case where a lower court fails to follow the mandate of this Court is one which requires review and correction to instill in lower courts the understanding that the powers vested in this Court under Article III of the Constitution as the highest appellate court necessarily create duties in the lower courts to follow the mandates of this Court. The Court of Appeals was foreclosed from re-examining the grounds of the Court's disposition because respondent's rights to patent monopoly over both Ford and General Motors fabrics were before the Court and finally disposed of. *N.A.A.C.P.* v. *Alabama*, 360 U.S. 240, 244-45 (1959); *Sibbald* v. *United States*, 12 Pet. 488, 492 (1838).

2. Review and correction are of special importance in this case to maintain the integrity of the relationship between the patent laws and antitrust laws expressed in the decisions of this Court for more than 45 years and approved by Congress that the patent monopoly is limited to the scope of the patent claims for the term of the patent grant.[13] And the legality of any attempt to bring unpat-

[13] *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1917); *Carbice Corp.* v. *American Patents Dev. Co.*, 283 U.S. 27 (1931); *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458 (1938);

ented goods within the scope of the patent monopoly is measured by the antitrust laws, not the patent laws. [14]

Ever since *Motion Picture Patents Co.* v. *Universal Film Co.*, 243 U.S. 502 (1917) overruled *Henry* v. *A. B. Dick Co.*, 224 U.S. 1 (1912) this Court has consistently held that the patent monopoly cannot be extended by the patentee to demand that the user of the patented invention purchase unpatented materials necessary for practicing the patented invention from a source designated by the patentee. The Court held in *Motion Picture Patents* that to permit the patentee to "derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used", is "wholly without the scope of the patent monopoly". [15]

Carbice Corp. v. *American Patents Dev. Corp.*, 283 U.S. 27 (1933) held that the doctrine of *Motion Picture Patents* is applicable even though the unpatented material over which the patentee-licensor has sought to extend his monopoly is a "necessary" or "dynamic" element of a patented combination.

Then in *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661 (1944) the Court held that the scope of the patent grant conferred upon the owner of a combination patent does not embrace an unpatented appliance, even though it is an essential part of the combination; and that one

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Morton Salt Co. v. *G. S. Suppiger Co.*, 314 U.S. 488; *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495 (1942); *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661; *Mercoid Corp.* v. *Minneapolis-Honeywell Co.*, 320 U.S. 680 (1944); *International Salt Co.* v. *United States*, 332 U.S. 392 (1947); *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336 (1961). And the Court only recently said in *United States* v. *Loew's, Inc.*, 371 U.S. 38, 46 (1962), "These cases reflect a hositility to use of the statutorily-granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles."

[14] *Mercoid Corp.* v. *Minneapolis-Honeywell Co.*, 320 U.S. 680, 684.

[15] 243 U.S. at 517.

who supplied such unpatented appliance, even though it was not a common article of commerce, was expressly designed for use in the patented combination, and was the "heart" or distinguishing feature which brought the combination up to the inventive level, might not be held as a contributory infringer. In his dissenting opinion Mr. Justice Roberts observed that the purchaser and user of the unpatented appliance for original installation in the patented combination did not infringe the combination patent by virtue of such use and installation of the unpatented element; therefore, one who sold to him could not be amerced for contributing to a non-existent infringement.[16]

If *Mercoid* forbids the patentee from exercising patent monopoly over an unpatented element for original installation in a patented combination *a fortiori Aro* should have left no doubt that the patentee has no right to patent monopoly over an unpatented element for replacing a spent one in the patented combination. To sanction such control would be to permit the patentee "to derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies" necessary for its continued use or operation.[17]

We are unable to see a logical distinction between the unpatented dry ice block called the "dynamic" element of the patented combination in *Carbice*,[18] the unpatented thermostatic switch called the "heart of the invention" in *Mercoid*[19] and the unpatented replacement fabric called

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[16] 320 U.S. at 674. Nothing in the opinion of the Court indicates any disagreement with this fundamental proposition that the installation, use and sale of an unpatented element is not a "making", "use" or "sale" of the whole patented combination and therefore not an infringement of the combination patent grant. 35 U.S.C. §§ 154, 271(a).

[17] 243 U.S. at 517.

[18] 283 U.S. at 33.

[19] 320 U.S. at 667.

the "material part" of the patented combination in this case.

The instant case represents a graphic illustration of the evils of the extension of the patent monopoly. The Court of Appeals holds that petitioners have contributorily infringed by selling unpatented fabrics for replacing spent ones in Ford cars during a period depending upon the terms of a private agreement between respondent's assignor and Ford. It is true that respondent's assignor expressly reserved the right to derive additional profits from licensing the manufacture, use and sale of the unpatented replacement fabrics (R. 512). But if there is anything that the Court made clear in *Mercoid*, it is that the combination patent monopoly cannot be expanded by contract to cloak an unpatented element of the combination with protection as effective as if a patent had been issued on that element. Nothing in the Constitution or the patent laws authorizes private business to function as its own patent office, impose its own laws upon its licensees and obtain an equitable decree recognizing the existence of monopoly rights obtained by private agreement in what letters patent alone may grant. As the Court recognized,

> Such a vast power "to multiply monopolies" at the will of the patentee . . . would carve out exceptions to the anti-trust laws which Congress has not sanctioned.[20]

The apparent recognition by the Court below of a private agreement between Ford and respondent's assignor as having any relevance to the scope of the combination patent monopoly is also inconsistent with this portion of the opinion of the Court in *Mercoid*. As in its prior opinion

[20] *Ibid.*

(R. 647-55), the Court of Appeals again refused to even mention *Mercoid*. *Infra* 1a-12a.

3. The instant case is of great importance in determining the rights of all types of part manufacturers and dealers who make and sell unpatented parts especially designed for installation and use in patented combinations. For if the court below is correct in concluding that the supplier of an unpatented replacement element is a contributory infringer, then the supplier of the original unpatented element is *a fortiori* liable for contributory infringement. But that result is squarely in conflict with the basic holding in *Mercoid*.

A businessman ought to be able to rely on what the publicly available patent document claims is patented in deciding whether he must obtain the patentee's consent before he can make and sell an element for installation in a patented machine without being subjected to the constantly overhanging threat of a suit for patent infringement for the sale of an unpatented article. And if the court below is correct in concluding that the outcome of the suit depends upon the construction of a private agreement between the patentee and the manufacturer of the patented machine first revealed to the seller of the unpatented element in an infringement suit brought by the patentee, few small businessmen would risk selling such unpatented devices which never were and never could be the subject of a patent. If the decision of the Court of Appeals is allowed to stand, the value of the patent claims in letting businessmen know when they infringe is seriously impaired.

4. This case is of importance in reminding all applicants for patents that the statute requires the applicant to particularly point out and distinctly claim the subject matter which he regards as his invention. 35 U.S.C. § 112. The statute requires examination of each application, 35

U.S.C. §§ 131-135, by Patent Office technically and legally qualified experts for compliance with formal requirements, 35 U.S.C. §§ 111-122, and standards of patentability, 35 U.S.C. 100-104, before a patent is granted. 35 U.S.C. § 131. The construction of the contributory infringement provisions of § 271 by the court below as extending the coverage of a combination patent to embrace one of the separate elements in the combination that the patentee never claimed in the application or patent as the invention is inconsistent with the statutory requirements for distinctly claiming the alleged invention and subjecting it to examination by the Patent Office experts.

By this construction the patentee's right to an additional monopoly in such an unpatented element is determined by a judge in a federal court without the benefit of an independent evalution of its patentability by the Patent Office. The result is a further expansion of the area of uncertainty which surrounds the scope of every one of the hundreds of combination patents issued each week so that increased litigation may be expected while making it easier for the combination patentee to specify the sources for unpatented "material" parts used in patented combinations. The combination patentee will no doubt classify each unpatented element of the patented combination with significant market potential as a "material" part. Nothing in the language of the statute, its legislative history[21]

[21] The legislative history shows that the purpose of the contributory infringement provisions was to resolve doubts in those who thought language in *Mercoid* might have obliterated contributory infringement. The statute codified existing law. Some of this history appears at 365 U.S. at 347-49 nn. 2-4 (concurring opinion of MR. JUSTICE BLACK).

A case of contributory infringement cited to Congress as proper under the statute was *Amalgamated Dental Co.* v. *William Getz Corp.*, 90 U.S.P.Q. 339 (N.D. Ill. 1951). But there the patented combination was a mixture of four chemicals, constituting the material part of the invention, dissolved in the fifth element of the patented combination, water, constituting the immaterial part of the invention. The contribu-

or the decisions of this Court support this unwarranted expansion of the combination patent monopoly.

5. Although the court below did not discuss the constitutional issue, we think that the construction by the court below is unconstitutional because the Constitution gives Congress the power to confer exclusive rights in only the discovery of the inventor. It has long been recognized that what is the discovery of an inventor is a constitutional standard.[22] Mr. Justice Jackson, dissenting in *Mercoid* said, "I see no constitutional or statutory authority for giving . . . [a combination patent] additional value by bringing into its monopoly all or any of the unpatentable parts."[23] The fabric element of respondent's combination patent is not the discovery of an inventor.[24]

6. It is a settled rule of law that an appellee may point to any portion of the record and urge any grounds in support of the judgment rendered in its favor below[25] and

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tory infringer sold the four dry chemicals in a package sold to dentists for dissolution in water to "make" the patented combination. *Hearings Before Subcommittee No. 3 of the House Committee on the Judiciary on H.R. 3760*, 82d Cong., 1st Sess., Ser. 9 155-56 (1951). It was made clear to the Subcommittee Members that the seller of a single one of these unpatented chemicals with full knowledge of its end use in the patented combination would not be liable as a contributory infringer. *Id.* 161-62. And the Eighth Circuit has so held where the patented combination was the single unpatented chemical dissolved in water and the unpatented chemical was sold by the alleged contributory infringer packaged with instructions to dissolve it in water to form the patented combination. *Dr. Salsbury's Laboratories* v. *I.D. Russell Co.*, 212 F.2d 414 (8th Cir.), *cert. denied*, 348 U.S. 837 (1954).

The Eighth Circuit Court of Appeals unanimously rejected the argument of the appellant that the provisions of section 271 overruled *Mercoid*. The Seventh Circuit Court of Appeals relied on *Aro* in reaching the same conclusion. *Switz Bros., Inc.* v. *Locklin*, 297 F.2d 39, 46 (7th Cir. 1961), *cert. denied*, 369 U.S. 851 (1962).

[22] *Hill* v. *Wooster*, 132 U.S. 693, 701 (1890); *Thompson* v. *Boisselier*, 114 U.S. 1, 11 (1885).

[23] 320 U.S. at 680.

[24] 365 U.S. at 361-62 (concurring opinion of MR. JUSTICE BLACK).

[25] *E.g.*, *Jaffke* v. *Dunham*, 352 U.S. 280 (1957); *Anderson* v. *Atherton*, 302 U.S. 643 (1937); *Langnes* v. *Green*, 282 U.S. 531,

even if it had not been raised before in a prior appeal from an interlocutory judgment.[26] Although the court below recognized that the issue of misuse had been briefed and argued on the prior appeal, it regarded the issue of misuse not fairly embraced in the questions presented. Whatever justification there may have been for the court below to consider misuse as not properly before it on that appeal from the interlocutory judgment that was reversed by this Court, its refusal to consider respondent's inequitable conduct on the present appeal from the final judgment rendered in petitioners' favor by the District Court is a complete departure from the accepted rule of appellate procedure that an appellee can urge any grounds in support of the judgment rendered in its favor below.

The refusal of the court below to consider misuse is inconsistent with the ruling of this Court in *Mercoid*.[27] There the Court ruled that the alleged contributory infringer selling the unpatented appliances for original installation in the patented combination could raise misuse as a defense for the first time in a second lawsuit between the patentee and this alleged contributory infringer although the alleged contributory infringer had allowed a prior suit which it defended against the patentee to reach final judgment without raising misuse. If a final judgment in a first lawsuit between the patentee and an alleged contributory infringer does not bar the alleged contributory infringer from raising the misuse defense in a second lawsuit, the

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538-39 (1931); *United States* v. *American Ry. Exp. Co.*, 265 U.S. 425, 435 (1924); *Tinnerman Products, Inc.* v. *George K. Garrett Co.*, 292 F.2d 137, 138-39 (3d Cir.), *cert. denied*, 368 U.S. 833 (1961); *Katz* v. *Horni Signal Mfg. Corp.*, 145 F.2d 961, 962 (2d Cir. 1944), *cert. denied*, 324 U.S. 882 (1945).

[26] *United States* v. *U.S. Smelting Co.*, 339 U.S. 186, 198-99 (1950); See *Dictograph Products Co.* v. *Sonotone Corp.*, 230 F.2d 131, 135-36 (2d Cir. 1956).

[27] 320 U.S. at 669-70.

petitioners here, who pleaded misuse as a defense, argued and briefed the defense on a first appeal from an interlocutory judgment that was reversed by this Court and urged the defense to the District Court as an alternate ground in support of the final judgment in its favor rendered by the District Court, surely have a right to have the Court of Appeals consider that defense as properly raised when urged in support of the judgment below.

Much evidence of misuse and other inequitable conduct first entered the record in accounting hearings conducted at the insistence of the respondent after the Court of Appeals had affirmed the interlocutory judgment.[28] The refusal of the court below to even consider this evidence as establishing misuse is in direct conflict with the decision of the Eighth Circuit Court of Appeals[29] holding that the policy of uncovering and preventing misuse of patents is so great that a court must on its own motion consider misuse whenever it learns of it in any way and refuse to enforce patent rights of a patentee engaged in misuse.

One of the most effective safeguards for vindicating the dominant public interest in the administration of the patent system has been the refusal of the courts to lend their aid to the enforcement of patent rights where the patents have

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[28] During the accounting respondent stipulated that its assignor's first replacement fabric manufacturer licensee (RA. 31) Atlas complained to its assignor that it was paying royalty while almost all others in the business were not. So after respondent had obtained an equitable decree from the District Court in December 1958 (R. 42-44), its assignor pressed other replacement fabric manufacturers to take licenses, "among other reasons to satisfy Atlas that its competition was paying also." (RA. 32).

[29] *Frank Adam Elec. Co.* v. *Westinghouse Elec. Mfg. Co.*, 146 F.2d 165, 167 (8th Cir. 1945). That case cites *Bell & Howell Co.* v. *Bliss*, 262 Fed. 131 (7th Cir. 1919) where the doctrine of unclean hands barred a patentee with an interest assigned by the real party in interest just to bring the suit from maintaining the suit. See *Libby-Owens-Ford Glass Co.* v. *Sylvania Industrial Corp.*, 154 F.2d 814 (2d Cir.), *cert. denied*, 328 U.S. 859 (1946). But *Cf. Stiegele* v. *J. M. Moore Import-Export Co., Inc.*, 136 U.S.P.Q. 230, 234 (2d Cir. 1963).

been misused to subvert public policy.[30] We believe that the court below failed to give adequate recognition in this case to the public importance of the misuse doctrine, and to applicable decisions of this Court. The result has been an unwarranted narrowing of the scope of the doctrine, with consequent erosion of the competitive policy underlying the doctrine's existence.

The doctrine of patent misuse is nothing more than an application of the equitable principle that he who would invoke equity must do equity.[31] This court has long required that the patentee seeking to enforce the privileges of a patent in federal courts be required to adhere to a high standard of conduct. *Precision Co.* v. *Automotive Co.*, 324 U.S. 806 (1945). That case held that the inequitable conduct of the patentee in an inter partes proceeding before the Patent Office seeking unlawfully broad patent coverage barred the patentee from maintaining a suit for infringement of the patented invention. The Court said that

> a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope . . . . 324 U.S. at 816.

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[30] *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488, 494 (1942); see *Carbice Corp.* v. *American Patents Dev. Corp.*, 283 U.S. 27 (1931); *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1917); *Pope Mfg. Co.* v. *Gormully*, 144 U.S. 224 (1892).

[31] For a discussion of the assimilation of the "clean hands" maxim to the maxim "He who seeks equity must do equity," particularly in relation to patent misuse, see *Chafee, Some Problems of Equity* 55-61, 100 (1950).

Accordingly, the respondent, engaged in an illegal restraint of trade in unpatented replacement fabrics, breaches the uncompromising duty of a patentee to keep patent monopolies within their legitimate scope. This breach of duty is aggravated here by using this respondent as a sword for the real parties in interest to bring this suit against only these petitioners while acting as a shield from liability (RA. 63) by leaving petitioners an assetless shell (RA. 58-59) incapable of even paying the costs assessed two years ago by this Court (RA. 7).

7. The refusal of the courts below to recognize that FED. R. CIV. P. 54(c) required that the final judgment give the petitioners the relief to which they are entitled based on the law applied to the facts of record, even though petitioners had not demanded such relief in their pleadings, is in conflict with the plain language of the rule, the policy of the rules in expediting the determination of substantive rights established by the record as opposed to avoiding and deferring the adjudication of substantive rights through reliance on the niceties of pleading,[32] and the interpretation of every other Court of Appeals that has interpreted Rule 54(c).[33] While most of these decisions deal

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[32] See *Foman* v. *Davis*, 371 U.S. 178, 181-82 (1962); *Conley* v. *Gibson*, 355 U.S. 41, 48 (1957).

[33] *Farmer* v. *Arabian American Oil Co.*, 285 F.2d 720, 722 n. 2 (2d Cir.), *cert. denied*, 364 U.S. 824 (1960); *Fanchon & Marco, Inc.* v. *Paramount Pictures*, 202 F.2d 731, 734 (2d Cir. 1953); *Ring* v. *Spina*, 148 F.2d 647, 653 (2d Cir. 1945), 166 F.2d 546, 549, *cert. denied*, 335 U.S. 813 (1948); *Hawkins* v. *Frick-Reid Supply Corp.*, 154 F.2d 88, 89 (5th Cir. 1946); *Dann* v. *Studebaker-Packard Corp.*, 288 F.2d 201, 216-17 nn. 48-51 (6th Cir. 1961); *Kansas City, St. L. & C. R.R. Co.* v. *Alton R.R. Co.*, 124 F.2d 780 (7th Cir. 1941); *Whittaker* v. *Wall*, 226 F.2d 868, 872 (8th Cir. 1955); *Jones* v. *Ingling*, 303 F.2d 438 (9th Cir. 1962); *Neff* v. *Western Cooperative Hatcheries*, 241 F.2d 357, 363 (10th Cir. 1957); *Keiser* v. *Walsh*, 118 F.2d 13, 14 (D.C. Cir. 1941).

After explaining that the provisions of Rule 54(c) apply to defending parties as well as claimants for relief, Professors Moore and Vestal summarized the provisions by saying, "In brief, it is the duty

with the right of a plaintiff to receive relief established by the record but not asked for in the complaint, neither the language of the rule nor the language of the interpreting courts of appeals suggests that its provisions are any less applicable to a counterclaiming defendant, or for that matter, a defendant who seeks no affirmative relief at all. The reliance of the court below on the pleading requirement in Rule 8(a), applicable at the time the pleading was filed, that the pleader state what relief he thinks he should get nullifies the purpose of Rule 54(c), applicable at the time of final judgment when the record has been established, that the relief which the pleader actually gets is what the court decides he is entitled to based on the law applied to the facts of record, even if the pleader didn't ask for that relief. It is apparent that the correct interpretation of these provisions is of importance to every federal court preparing to enter a final judgment.

Where, as here, the defendant is entitled under the law applied to the facts of record,[34] to a judgment holding the

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of the court to grant the relief to which a party is entitled regardless of the prayer for relief in the pleadings." *Moore and Vestal*, MOORE'S MANUAL—FEDERAL PRACTICE AND PROCEDURE § 25.03[8] (1962).

[34] The monopoly in the sale of certain unpatented replacement fabrics sought to be vested in licensees of respondent's assignor is a result logically indistinguishable from that condemned in *Mercoid* as a violation of the antitrust laws. While the record then before the Court in *Mercoid* did not establish damage to Mercoid, 320 U.S. at 671-72, the record now before the Court in the instant case shows that petitioners have been damaged at least to the extent of legal expenses in defending this suit (RA. 69). And every court of appeals faced with the question has decided that legal expenses incurred in defending a patent infringement suit brought in violation of the antitrust laws are trebled and awarded to the party sued. *Dairy Foods, Inc.* v. *Dairy Maid Products Cooperative*, 297 F.2d 805, 809 (7th Cir. 1961); *Switzer Bros., Inc.* v. *Locklin*, 297 F.2d 39, 47 (7th Cir. 1961), *cert. denied*, 369 U.S. 851 (1962); *Clapper* v. *Original Tractor Cab Co.*, 270 F.2d 616, 624 (7th Cir. 1959), *cert. denied*, 361 U.S. 967 (1960); *Kobe, Inc.* v. *Dempsey Pump Co.*, 198 F.2d 416, 424-26 (10th Cir.), *cert. denied*, 344 U.S. 837 (1952).

In *B. & O. R.R. Co.* v. *United States*, 279 U.S. 781, 786 (1929),

plaintiff liable for violation of the antitrust laws, carrying out the directions of Rule 54(c) advances the policy of the antitrust laws in promoting free competition in unpatented goods so that the public obtains goods with a high quality/price ratio free from the hidden taxes and restrictions on sources which combination patentees frequently seek. The threat of the private antitrust action for treble damages is probably the most effective deterrent to participation in antitrust law violations and the most persuasive argument for inducing antitrust law violators to accept a consent decree. If combination patentees realize that employing federal courts as an aid for restraining trade in unpatented goods will lead to liability for treble damages, the chances of other combination patentees repeating the illegal activities apparent in this record are greatly reduced.

The private antitrust action is thus a vital supplement to the limited resources at the disposal of the Government for enforcing compliance with the antitrust laws. The Government must necessarily concentrate most of its efforts in policing the large industries. Small industries must therefore depend primarily on the private antitrust action for eliminating antitrust law violations. The federal courts have a duty to help police small industries for antitrust law violations by awarding injured parties treble damages whenever an antitrust law violation apparent in the record is brought to the attention of the court prior

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the Court said, "And while the subject matter of the controversy and the parties are before the court, it has jurisdiction to enforce restitution and so far as possible correct what has been wrongfully done." In discussing the applicability of Rule 54(c) to a *Mercoid* fact situation Judge Frank explained that these provisions merely embodied previously established doctrine exemplified by *Bemis Bag Co.* v. *United States*, 289 U.S. 28, 34 (1933). *Libby-Owens-Ford Glass Co.* v. *Sylvania Industrial Corp.*, 154 F.2d 814, 823 (2d Cir.) (dissenting opinion), *cert denied*, 328 U.S. 859 (1946). The majority had dismissed the appeal as from a non-final order.

to final judgment. The courts below have breached this duty to the public by refusing to apply the antitrust laws to the facts of record in this case.

8. Since for any of the reasons advanced in support of the final judgment entered by the District Court, respondent is barred from maintaining an infringement action against petitioners, the validity of respondent's patent is a hypothetical question. The District Court correctly followed the decisions of this Court[35] in removing the finding of validity from the final judgment. The Court of Appeals could not reinstate the finding of validity without conflicting with the decisions of this Court unless respondent can maintain this infringement action. The instant case is therefore important in reminding all courts to refrain from deciding hypothetical questions.

Conclusion

For the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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[35] *Elec. Fittings Corp.* v. *Thomas & Betts Co.*, 307 U.S. 241 (1939); *Altvater* v. *Freeman*, 319 U.S. 359, 363 (1943) explains that to hold a patent valid when it is not infringed is to decide a hypothetical question. To do so is unconstitutional. *Cower* v. *Schwartz*, 133 F.2d 541, 545-47 (2d Cir.), *cert. denied*, 319 U.S. 748 (1943). This point was explained in *Katz* v. *Horni Signal Mfg. Corp.*, 145 F.2d 961, 962 n. 4 (2d Cir. 1944), *cert. denied*, 324 U.S. 882 (1945). *Altvater* and *Katz* indicate that a judgment can hold a patent invalid when it is not infringed. The Constitution would not seem to prohibit a finding of invalidity which would serve as an alternate basis for the judgment in favor of the alleged infringer.

Appendix A

United States Court of Appeals
For the First Circuit

No. 5991.

CONVERTIBLE TOP REPLACEMENT CO., INC.,

PLAINTIFF, APPELLANT,

v.

ARO MANUFACTURING CO., INC., ET AL.,

DEFENDANTS, APPELLEES.

No. 5993.

ARO MANUFACTURING CO., INC., ET AL.,

DEFENDANTS, APPELLANTS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,

PLAINTIFF, APPELLEE.

CROSS-APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS.

Before WOODBURY, *Chief Judge*, and HARTIGAN and ALDRICH, *Circuit Judges*.

Elliott I. Pollack, with whom *Paul V. Power* was on brief, for Convertible Top Replacement Co.

Charles Hieken, with whom *David Wolf* and *Ezekiel Wolf*, *Wolf and Greenfield* were on brief, for Aro Manufacturing Co., Inc., et al.

OPINION OF THE COURT.

December 13, 1962.

WOODBURY, *Chief Judge*. Upon receipt of the mandate of the Supreme Court in *Aro Mfg. Co., Inc.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), the court below after hearings entered a judgment which, as

amended, ordered, adjudged and decreed: (1) that by virtue of a territorial grant the plaintiff, Convertible Top Replacement Co., Inc., was possessed of the right, title and interest in the Mackie-Duluk patent No. 2,569,724 in the Commonwealth of Massachusetts, (2) that neither the corporate defendant, Aro Manufacturing Co., Inc., nor the individual defendants, either individually or as co-partners doing business as Aro Top Sales Company, had infringed claims 3, 4, 5, 7, 8, 9 and 10 of the above patent, (3) that the plaintiff's amended complaint be dismissed with costs to the defendant of $3,841.77 and (4) that the defendants' counterclaim for a declaratory judgment be dismissed without prejudice and without costs. In No. 5991 the plaintiff below as appellant here contends that this judgment is erroneous in that it fails to make any distinction between replacements of the fabric portions of convertible automobile tops for General Motors cars, which were licensed under the patent, and those for Ford cars, which were not, and in that it fails to order, adjudge and decree that the Mackie-Duluk patent is valid. In No. 5993 the defendants below as appellants here contend that the judgment is erroneous because it fails to award them such damages as they may be able to establish in future proceedings, plus attorney's fees, trebled, for antitrust law violation by the plaintiff. We shall consider the appeals in numerical order but to dispose of the respective contentions of the parties it will be helpful to review the judicial proceedings in this tortuous litigation.

It began in April, 1956, with a complaint, later amended, by Convertible Top Replacement Co., Inc., C.T.R. hereinafter, which charged the defendant, Aro Manufacturing Co., Inc., and its principal officers, hereinafter collectively Aro, with infringement and contributing to the infringement of U. S. Patent No. 2,569,724 issued on October 2, 1951, to Harry A. Mackie and Stanley Duluk for "Con-

vertible Folding Top with Automatic Seal at Rear Quarter" by making, selling and installing specially cut fabric tops for use in the patented structure. The defendants answered denying the basic allegations in the complaint, alleging patent misuse and specifically asserting that the patent is invalid and if valid not infringed. The defendants also filed a counterclaim for a declaratory judgment that the patent had been misused, that it was invalid and if valid not infringed. A defendant's motion for summary judgment based on affidavits and answers to interrogatories was denied and the case went to trial by the court sitting without a jury.

The district court after full hearing found that the plaintiff as assignee was entitled, by virtue of a territorial grant, to sue on the patent in Massachusetts, that the defendants had "clearly not made out" their claim that the plaintiff had misused its patent and that the the defendants had not established their basic defense of invalidity.[1]

The court then turned to the question of infringement which it said had two aspects. Referring to the established fact that General Motors Corp. was licensed under the Mackie-Duluk patent while Ford Motor Co. was not, the court said: "As to the former, defendants are protected if their fabrics are to be regarded as mere repair, and not reconstruction. As to the latter, defendants have no protection against a claim for contributory infringement under § 271(c) if they made a material part, with knowledge that it was to be used in a patented structure, which was not a staple article of commerce suitable for substantial non-infringing use." The court summarily dis-

[1] It found: "Mackie-Duluk was a substantial and enlightened step, filling a long-felt want, in a field in which defendants have produced, with one exception [*i.e.* a patent to one Ackermans discussed at length and distinguished] only paper patents, the most emphasized being foreign, which did not even purport to do what Mackie-Duluk accomplished."

posed of the issue of infringement insofar as unlicensed Ford Motor Co. cars were concerned by finding that there was no substantial non-infringing use for fabric tops specially made by the defendants for the cars of that manufacturer having the Mackie-Duluk top structure, which fabrics, it said, " . . . are admittedly purposely designed for, and advertised for, Mackie-Duluk tops." The court gave more extended consideration to the question dispositive of the issue with respect to infringement by replacing the fabric part of convertible tops on licensed General Motors Corp. cars, *i.e.* whether such replacement constituted mere repair or major reconstruction.

Finding that replacing the fabric tops on cars of that manufacturer was "not permissive repair" the court entered an interlocutory judgment that the Mackie-Duluk patent was good and valid in law as to its claims 3, 4, 5, 7, 8, 9 and 10, that the defendants had infringed or contributorily infringed those claims with respect to both Ford and General Motors cars, that the defendants be enjoined from further infringement and that the question of the plaintiff's damages be referred to a master, with costs to the plaintiff.

On appeal this court affirmed, 270 F.2d 200 (1959).

We took the validity of the Mackie-Duluk patent for granted for the reason that the issue of its validity had hardly been argued at all and because we were not even sure that all the evidence on that issue had been included in the parties' joint record appendix. Our attention at that time was directed primarily to the basic question argued before us by the appellants, that is, to the question whether replacing the fabric portion of the patented tops for convertible automobiles constituted a permissible repair of the patented structure or an impermissible reconstruction of it, upon the answer to which the issue of contributory infringement with respect to licensed General

Motors cars depended. We did not specifically consider infringement with respect to unlicensed Ford Motor Co. cars for that question was not greatly stressed and we were convinced from the evidence that the court below was clearly correct in its conclusion that the defendants' custom made tops specifically designed and advertised for those cars constituted "a material part of the invention" and were not "a staple article of commerce suitable for substantial non-infringing use" within the meaning of 35 U.S.C. § 271(c). Nor did we specifically consider any question of possible patent misuse by the plaintiff-appellee, for, although the defendants-appellants argued patent misuse orally and in their brief, their statement of the questions involved pursuant to Rule 24(3)(b) of this court quoted in the margin [2] did not set forth or necessarily suggest any such question. Moreover, no issue of patent misuse was presented by the pleadings insofar as printed in the parties' joint record appendix on that appeal. Allegations of misuse in the defendants' answer, and an allegation of misuse in their counterclaim were omitted from their answer and counterclaim as printed in the joint record appendix then before this court. Only now has Aro's counsel supplied those omitted allegations. He has included the heretofore omitted allegations of patent misuse as made in his answer in his record appendix as counsel for the appellees in No. 5991 and his allegation of misuse in his counterclaim in his record appendix as counsel for the appellants in No. 5993.

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[2] "The brief of the appellant or petitioner shall contain the following matter . . .

* * *

"(b) A statement of the questions involved, setting forth each question separately, in the briefest and most general terms, without names, dates, amounts or particulars of any kind. Ordinarily no point will be considered which is not set forth in or necessarily suggested by the statement of questions involved."

The Supreme Court granted certiorari allowing the United States to file a brief as *amicus curiae* in support of the petition, 362 U.S. 902 (1960). It denied a motion of the American Patent Law Association for leave to file a brief as *amicus curiae*, 364 U.S. 806 (1960), and reversed, *Aro Manufacturing Co., Inc., et al.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), petition for rehearing or alternative motion for amendment or clarification of opinion denied, 365 U.S. 890 (1961), and remanded the case to the court below for further proceedings in conformity with its opinion. The judgment from which the present appeals have been taken was entered in an attempt to carry out that mandate. To see whether it has succeeded we turn to the Supreme Court's opinion.

The opinion of the Court written by Mr. Justice Whittaker, after summarizing the facts, notes at page 338 that the validity of the patent was not challenged. The opinion then continues:

> "The principal, and we think the determinative, question presented here is whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination. More specifically, and limited to the particular case here, does the car owner infringe (and the supplier contributorily infringe) the combination patent when he replaces the spent fabric without the patentee's consent?"

The Court then went on to point out, page 339, that the fabric portion of the tops was an unpatented element of the combination patent because: "The patent makes no claim to invention based on the fabric or on its shape, pattern or design." Wherefore the Court said it was immaterial whether the shape of the fabric might have been patentable. From the foregoing the Court on the next

page of its opinion said: "It follows that petitioners' [Aro's] manufacture and sale of the fabric is not a *direct* infringement under 35 U.S.C. § 271(a)," but that the question remained whether such manufacture and sale constituted "a *contributory* infringement of the patent under 35 U.S.C. § 271(c)." Whether it did or not the Court said on page 341 depended upon whether "replacement by the purchaser himself would in itself constitute a *direct* infringement under § 271(a), for it is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement." Then on page 342, saying that § 271(a) "left intact the entire body of case law on direct infringement," the Court posed the ultimate question before it as follows:

> "The determinative question, therefore, comes down to whether the car owner would infringe the combination patent by replacing the worn-out fabric element of the patented convertible top on his car, or even more specifically, whether such a replacement by the car owner is infringing 'reconstruction' or permissible 'repair.'"

The Court summarized its answer to this question on page 346 in the folfowing words:

> "The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' *United States* v. *Aluminum Co. of America*, *supra*, at 425, after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented entity, as, for example, in *Cotton-Tie Co.* v. *Simmons*, *supra*. Mere replacement of individual unpatented parts, one at a time, whether of the same

part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property. Measured by this test, the replacement of the fabric involved in this case must be characterized as permissible 'repair,' not 'reconstruction.'"

It is clear from the foregoing quotations from the opinion of the Court that the attention of the four justices who joined in that opinion was focused on the question of reconstruction versus repair which underlies the question of contributory infringement with respect to replacement tops for licensed General Motors cars but not for unlicensed Ford cars. And the same may be said of the opinions of the concurring and dissenting justices. The only suggestion that other considerations underlie the question of infringement by replacing the fabric portions of tops on unlicensed Ford cars is to be found in the final sentence of Mr. Justice Brennan's concurring opinion (p. 368) which reads: "I, therefore, think that the judgment of the Court of Appeals must be reversed, except, however, as to the relief granted respondent in respect of the replacements made on Ford cars before July 21, 1955."[3]

The puzzling question is whether the Supreme Court in reversing this court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned.

What the Court said in its opinion gives us little help. What it did not say, however, seems to us to indicate that it was not deciding the question of contributory infringement with respect to unlicensed Ford cars.

In the first place this would seem to be the interpretation placed upon the Court's opinion by Mr. Justice Brennan. Otherwise he would not have concurred generally but

[3] The date mentioned is the date of a release and license granted to Ford Motor Co. by C.T.R.'s assignor. It may be that under that document the critical date is December 31, 1955.

would have concurred only in part and dissented in part. We think he must have meant to suggest only that the Court be more specific.

In the second place, neither in the opinion of the Court nor in the opinions of the concurring justices is any mention made of the basic rule established in many cases which, the Court said, was "left intact" by § 271(a), that not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use.[4] Therefore, a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top, for by the purchase of his car he obtained no license to use the patented structure, even less to repair it.[5] And one who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or

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[4] See *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884); *Sanitary Refrigerator Co.* v. *Winters*, 280 U.S. 30 (1929) (infringement by both the manufacturer (Dent Hardware Co.) and user (Sanitary Refrigerator Co.) of the patented product); and see *General Talking Pictures Corp.* v. *Western Electric Co.*, 305 U.S. 124, 127 (1938), where it is said: "Pictures Corporation . . . is in no better position than if it had manufactured the amplifiers itself without a license. It is liable because it has used the invention without license to do so."

[5] On the necessity for an implied license to repair, see *Thomson-Houston Electric Co.* v. *Ohio Brass Co.*, 80 Fed. 712, 723 (C.A. 6, 1897); *Union Special Machine Co.* v. *Maimin*, 161 Fed. 748, 750 (C.C.Pa., 1908), *affirmed* 165 Fed. 440 (C.A. 3); *National Brake & Electric Co.* v. *Christensen*, 38 F.2d 721, 723 (C.A. 7, 1930); *Remington Rand Business Service, Inc.* v. *Acme Card System Co.*, 71 F.2d 628, 630 (C.A. 4, 1934); *Electric Auto-Lite Co.* v. *P. & D. Mfg. Co.*, 109 F.2d 566, 567 (C.A. 2, 1940); and *Ruth* v. *Stearns-Roger Mfg. Co.*, 13 F.Supp. 697, 712-13 (D.Colo. 1935); Cf. Deller's Ed. of Walker on Patents, Sec. 379, at pp. 1486-87.

especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops for unlicensed Ford cars) and not, as the District Court originally found and this court agreed, a staple article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) quoted in the margin.[6]

Since none of the foregoing matters relevant to replacement tops for unlicensed Ford cars was mentioned or, except for Mr. Justice Brennan, even suggested, we can hardly assume any decision with respect to them.[7] The Court's silence seems significant. We cannot lightly assume that the Court would *sub silentio* overrule a very substantial body of authority on direct infringement, which it specifically said remained "intact," and then construe § 271(c) in such a way as practically to leave it a dead letter. We therefore conclude that our previous decision

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[6] "(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

[7] In further support of the view that the attention of the members of the Court was concentrated on the situation with respect to licensed General Motors cars, we note that apart from Mr. Justice Brennan's express reference to a distinction between Ford and General Motors top replacements there are indications in the opinion of the Court that the licensed-unlicensed distinction was recognized and only the licensed situation considered. Among these "clues" in Mr. Justice Whittaker's opinion are his statement at p. 344 that the patent licensee's, C.T.R.'s, contention would involve a "new license" and "another royalty" and his conclusion at p. 345 "that a license to use a patented combination includes the right" to repair. In his concurring opinion, Mr. Justice Black must have had the licensed situation in mind in asserting, at p. 360, that "one royalty to one patentee for one sale is enough. . . ." And Mr. Justice Harlan, in his dissenting opinion, states at p. 369, "The underlying rationale of the rule is of course that the owner's *license to use* the device carries with it an *implied license* to keep it fit for the use for which it was intended." (Emphasis added.)

in this case was not reversed insofar as unlicensed Ford cars are concerned. To carry out the Supreme Court's mandate we think the court below should enter a judgment that the Mackie-Duluk patent is valid as to the claims enumerated and contributorily infringed with respect to replacement tops for unlicensed Ford cars.

We come now to Aro's contention as appellant in No. 5993 that it is entitled to a decree that the plaintiff below, C.T.R., violated the antitrust laws and thereby rendered itself liable to three times the damages, including counsel fees, which Aro may be able to establish in further proceedings. The short answer to this contention is that Aro has never pleaded a cause of action under the antitrust laws.

It alleged patent misuse in its answer to the complaint. But it did not print those allegations in the joint record appendix before us on the previous appeal nor, in its brief on that appeal, did it mention patent misuse in its statement of the questions involved. Patent misuse as a defense was clearly abandoned.[8] Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis. So much for the allegations of patent misuse in the defendants' answer.

But in addition to the allegations in its answer, Aro alleged in its counterclaim: "That this court find and enter a decree herein that said Patent No. 2,569,724 has been misused." And this its counsel argues is a sufficient allegation of a cause of action under the antitrust laws because, he says, the record shows that Aro is entitled to

[8] The Supreme Court in a footnote at page 344 of its opinion said that the doctrine of patent misuse was "not an issue in this case."

damages for violation of those laws, and Rule 54(c) of the Federal Rules of Civil Procedure provides: " . . . every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings."

Even if we assume that the allegation of patent misuse in Aro's counterclaim has somehow survived to this stage of the litigation, the Rule quoted from above does not authorize a grant of the relief requested. That Rule should be liberally construed to grant a prevailing party substantial justice. But it is not to be so liberally construed as to conflict with the requirement of Rule 8(a) that a pleading which sets forth a claim for relief, whether on original claim or a counterclaim, shall contain a short and plain statement of the claim showing that the pleader is entitled to relief and a demand for judgment for the relief to which he deems himself entitled. There is no merit whatever in this appeal.

A judgment will be entered vacating the judgment of the District Court and remanding the case to that Court for entry of a judgment in conformity with the views expressed in this opinion.

Appendix B

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such product, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement. 35 U.S.C. § 271.

§ 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms

as to enable any person skilled in the art to which it pertains, or with which it is most clearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof. 35 U.S.C. § 112.

§ 282. Presumption of validity; defenses

A patent shall be presumed valid. The burden of establishing invalidity of the patent shall rest on a party asserting it.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition of patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

ANTITRUST LAWS

Sherman Act

Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal . . . 69 Stat. 282, 15 U.S.C. § 1.

Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. 69 Stat. 282, 15 U.S.C. § 2.

Sec. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is hereby declared illegal . . . 69 Stat. 282, 15 U.S.C. § 3.

Sec. 8. That the word "person", or "persons", wherever used in this act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the Territories, the laws of any State, or the laws of any foreign country. 26 Stat. 210, 15 U.S.C. § 7.

Clayton Act

Sec. 3. That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodity of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce. 38 Stat. 731, 15 U.S.C. § 14.

Sec. 4. That any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. 38 Stat. 731, 15 U.S.C. § 15.

Sec. 7. . . . [N]o corporation engaged in commerce shall acquire . . . any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly. . . . 64 Stat. 1125, 15 U.S.C. § 18.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 75

ARO MANUFACTURING CO., INC., ET AL., *Petitioners*,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC., *Respondent*.

BRIEF FOR RESPONDENT IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 833

ARO MANUFACTURING CO., INC., ET AL., *Petitioners*,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC., *Respondent*.

BRIEF FOR RESPONDENT IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI

Aro's Petition (No. 833, Oct. T. 1962) raises, in effect, a single issue, namely: Did the Court of Appeals below properly heed the mandate of this Court in No. 21, Oct. T. 1960, *Aro Manufacturing Company et al.* v. *Convertible Top Replacement Company, Inc.*, 365 U.S. 336?

It is submitted that the Court of Appeals followed this Court's mandate precisely. The Petition should, accordingly, be denied.

There is a Clear Distinction Between Unlicensed Infringing Ford Cars and Licensed General Motors Cars

During the years 1950-1954, General Motors manufactured convertible cars under license of Mackie-Duluk patent No. 2,569,724, the patent in suit. These cars had a fabric top which was replaced after a period of years. Aro sold certain fabric tops for use as replace-

ments on such licensed General Motors cars. This Court held (No. 21, Oct. T. 1960) that, since the original sale of the General Motors cars was under express license, the licensed sale carried with it an implied license to repair; that where there is such an original license, there can be no direct infringement; that absent direct infringement, there can be no contributory infringement; and that the replacement of parts in an originally *licensed* General Motors combination must, therefore, be treated as permissive repair (365 U.S. 336 *et seq.*).

Ford cars involve a markedly different situation. Ford had no license under the patent. Ford manufactured and sold *infringing* cars during the years 1952-1954. Owners of those unlicensed infringing Ford cars were separate and distinct *direct* infringers by reason of their "use" of the infringing structures; see *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884), and 35 U.S.C. § 271(a) [Petition, App. p. 1b]. In the case of Ford cars, therefore, there *was* an original direct infringement, cf. *Aro*, 365 U.S. at 341.

Moreover, when a person such as Aro repaired an *infringing* Ford car, he committed further direct infringement since such repair perpetuated the infringement. See, for example, the six cases[1] cited by the

[1] *Thomson-Houston Electric Co.* v. *Ohio Brass Co.*, 80 Fed. 712, 723 (C.A. 6, 1897); *Union Special Machine Co.* v. *Maimin*, 161 Fed. 748, 750 (C.C. Pa., 1908), *affirmed* 165 Fed. 440 (C.A. 3); *National Brake & Electric Co.* v. *Christensen*, 38 F. 2d 721, 723 (C.A. 7, 1930); *Remington Rand Business Service, Inc.* v. *Acme Card System Co.*, 71 F. 2d 628, 630 (C.A. 4, 1934); *Electric Auto-Lite Co.* v. *P. & D. Mfg. Co.*, 109 F. 2d 566, 567 (C.A. 2, 1940); and *Ruth* v. *Stearns-Roger Mfg. Co.*, 13 F. Supp. 697, 712-13 (D. Colo. 1935); Cf. Deller's Ed. of Walker on Patents, Sec. 379, at pp. 1486-87.

Court of Appeals (Petition, App. p. 9a, f.n. 5); and see also *National Malleable Casting Company* v. *American Steel Foundries* (C.C. N.J., 1910) 182 Fed. 626, 641; *Shickle Harrison et al:* v. *St. Louis Car Coupler Company*, 77 Fed. 739, 743 (C.C. 8, 1896); and 69 Corpus Juris Secundum § 287 ("a person is an infringer where he repairs an infringing article, machine, or device.").

In *Aro*, 365 U.S. at 342, this Court stated:

> "And § 271(a) of the new Patent Code, which defines 'infringement' *left intact the entire body of case law on direct infringement*" (Emphasis added.)

Aro repaired infringing Ford cars in their own trim shop (R. 107-108); and thereby *directly* infringed the patent. Aro's liability for its own *unlicensed* replacements is clear, from the very case law which was so "left intact".

The Court of Appeals Fully Heeded and Expressly Followed This Court's Mandate in Awarding Recovery for Unlicensed Ford Cars

The manufacture, use, and sale of the unlicensed Ford cars here involved were acts of *direct* infringement under 35 U.S.C. § 271(a): Aro's Petition nowhere contends otherwise. The cases which this Court stated to be "left intact" hold that even a repair of such *unlicensed* structures comprises a *direct* infringement. Therefore, since Aro sold parts meeting all the tests of 35 U.S.C. § 271(c), especially adapted "for use in [such] an infringement"[2], the Court of Appeals held Aro to be a contributory infringer.

[2] See 35 U.S.C. § 271(c), Petition App. p. 1b, and cf. *Aro*, 365 U.S. at 341.

In so holding, the Court of Appeals followed this Court's mandate, for this Court itself stated the basis for the decision below; see 365 U.S. at 341:

> "It is admitted that petitioners know that purchasers intend to use the fabric for replacement purposes on automobile convertible tops which are covered by the claims of respondent's combination patent, *and such manufacture and sale with that knowledge might well constitute contributory infringement under § 271(c), * * * if such a replacement by the purchaser himself would in itself constitute a direct infringement under § 271(a)* * *"* (Emphasis added.)

The foregoing statement by this Court is substantially identical to the reasoning of the Court of Appeals (see Petition, App. pp. 9a-10a):

> "* * * not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use. Therefore, *a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top,* for by the purchase of his car *he obtained no license to use the patented structure, even less to repair it.* And one who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops for unlicensed Ford cars) and not, as the District Court originally found and this Court agreed, a staple

> article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) * * *" (Emphasis added.)

A comparison of the preceding quotations, from the opinions of this Court and of the Court of Appeals, demonstrates that the Court of Appeals precisely followed this Court's mandate. Aro is totally in error in suggesting otherwise.

This Court's Earlier Aro Decision, Involving Licensed General Motors Cars, Did Not Vitiate Aro's Separate Liability for Unlicensed Ford Cars

As will appear, this Court's decision in *Aro* recognized the distinction between replacements to licensed General Motors cars, and replacements to *unlicensed* Ford cars. This same distinction, recognized by the Courts below, has long been conceded by Aro itself.

The trial court's first decision in this matter held, 119 U.S.P.Q. 122, 124 [no Fed. citation] (R. 38):

> "I pass to the question of infringement. *This has two aspects.* Some cars [General Motors] manufactured and sold with Mackie-Duluk tops *were licensed.* Others [Ford] were *not.* As to the former, defendants are protected if their fabrics are to be regarded as mere repair and not reconstruction. As to the latter, defendants have no protection against a claim for contributory infringement under Section 271(c) if they made a material part, with knowledge that it was to be used in a patented structure, which was not a staple article of commerce suitable for substantial non-infringing use". (Emphasis and matter in brackets added.)

Aro conceded liability for unlicensed Ford cars and, in going to the Court of Appeals the first time, argued

the licensed G.M. situation only. Thus as stated by the Court of Appeals (Petition, App. pp. 4a-5a):

> "Our attention at that time was directed primarily to * * * *licensed* General Motors cars * * *. We did not specifically consider infringement with respect to *unlicensed* Ford Motor Co. cars *for that question was not greatly stressed* and we were convinced from the evidence that the Court below was clearly correct in its conclusion that defendant's custom made tops * * * [met the factual tests of] 35 U.S.C. § 271(c)." (Emphasis and matter in brackets added.)

In coming to this Court, Aro again acknowledged the distinction between licensed and unlicensed cars. Aro's question 3 (Petition No. 582 Oct. T. 1959, p. 3) was confined to licensed G.M. cars, and excluded *unlicensed* Ford cars:

> "3. Whether the owner of a convertible automobile purchased from a manufacturer *licensed* under the patent for a combination infringes the patent by replacing a single worn element, the top fabric, with one made by a replacement top fabric manufacturer who does not pay royalties to the patentee." (Emphasis added.)

It is not surprising, therefore, that every opinion of this Court at 365 U.S. 336 *et seq.*, speaks of licensed (i.e., General Motors) structures; for this was the only subject matter on which Aro (and the Justice Department, as *amicus*)[3] sought review.

---

[3] Aro's question 3, limited to *licensed* cars, was the only question urged to be important by the Justice Department, then appearing as *amicus*. See Brief for the United States as Amicus Curiae, No. 21, Oct. T. 1960, p. 3, f.n. 1:

> "This is a restatement of the third question presented by the petition for certiorari (at p. 3). We express no views on the other questions presented by the petition."

Thus, this Court's majority opinion (f.n. 9, 365 U.S. at 343), notes that a "*licensee* of a patented machine or combination" may replace an element under certain circumstances; and distinguishes *Cotton Tie* v. *Simmons*, 106 U.S. 89, saying that the articles there replaced were "*licensed* to use once only". The majority further states (p. 344) that a contrary view would require "a *new license*" and "another" royalty; and summarizes prior controlling decisions by stating (p. 345) that "*a license to use a patented combination* includes the right 'to preserve its fitness for use' * * *". (Emphasis added.)

Mr. Justice Brennan's opinion expressly distinguishes between unlicensed Ford and licensed G.M. cars (365 U.S. at 368):

> "I therefore think that the judgment of the Court of Appeals must be reversed, *except, however*, as to the relief granted respondent in respect of the *replacements made on Ford cars* before July 21, 1955." (Emphasis added.)

Mr. Justice Black's opinion (p. 356) also cites the license provisions in *Cotton Tie, supra;* emphasizes (p. 360) that "one royalty to one patentee for one sale is enough under our patent law as written"; and cites with approval (p. 359, f.n. 12) this Court's holding in *United States* v. *Univis Lens Co.*, 316 U.S. 241. In *Univis* (316 U.S. at p. 249), this Court stated:

> "We may assume also, as appellees contend, that sale of the blanks by an *unlicensed* manufacturer to an *unlicensed* finisher for their completion would constitute contributory infringement by the seller." (Emphasis added.)

Mr. Justice Harlan's dissent (p. 369 *et seq.*) would have affirmed the Court of Appeals' earlier decision,

thereby giving CTR the right to recover, *inter alia*, for unlicensed Ford cars.

It is submitted, therefore, that the Court of Appeals correctly construed this Court's earlier decision, and precisely followed this Court's mandate, in distinguishing *unlicensed* Ford replacements from licensed General Motors replacements.

The Court of Appeals Decision Does Not Involve Any Issue of Public Policy or Economic Significance Warranting Review By This Court

When this Court earlier heard the instant case (No. 21, Oct. T. 1960), the Justice Department, appearing as *amicus curiae*, urged reversal as to originally licensed G. M. cars, since Justice felt it to be in the economic interest of the general public to limit a patentee to his original royalty. At that time, neither Aro nor Justice felt that Aro's replacements on *unlicensed* Ford cars warranted review, or that such *unlicensed* replacement involved any question of general interest. The Department of Justice's position was strictly confined to replacements made "pursuant to a license from the patentee", and sought no reversal as to Ford tops, i.e., tops "which had *not* been manufactured or installed under license" (see Justice's letter of May 3, 1960, on the facing page; and see footnote 3, *supra*.)

Even now, the Justice Department does not urge error in the latest Court of Appeals decision, nor does Justice now suggest any general public interest or economic significance in Aro's liability for replacements on infringing Ford cars.[4] It is submitted that

[4] Upon information and belief, Aro, subsequent to the Court of Appeals latest decision involving unlicensed Ford cars, approached Justice and unsuccessfully sought its assistance in this new Petition. Moreover, Aro's Petition has been served on the Solicitor General.

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

May 3, 1960

Address Reply to the Division Indicated and Refer to Initials and Number

RAB:CHW
60-358-0

Elliott I. Pollock, Esquire
1200 18th Street N.W.
Washington 6, D.C.

Re: Aro Manufacturing Co. v. Convertible Top Replacement Co.

Dear Mr. Pollock:

I understand from your letter to Mr. Weston of April 22, 1960, as further amplified in a conference on that date attended by you, Mr. Hollabaugh, and Messrs. Weston and Stern of the Appellate Section, that the memorandum which the Government filed in support of grant of certiorari in the above case has been given an interpretation in some quarters believed by you to be erroneous. You have therefore requested a letter clarifying the position taken by the Government in this memorandum.

The Government's position, as stated at page 4 of the memorandum, was that "the holder of a patented machine or combination exhausts his patent rights when he or his licensee sells the machine covered by his patent, and that the purchaser or the purchaser's supplier does not infringe the patent upon replacement of an unpatented element which becomes unusable in ordinary course in advance of the other components of the combination. * * *." (Underscoring supplied.) The views which we expressed had reference to replacement of the fabric portion of convertible tops which had been installed pursuant to a license from the patentee. We took no position respecting infringement if there was replacement of the fabric portion of convertible tops which had not been manufactured or installed under license from the patentee.

Sincerely yours,

ROBERT A. BICKS
Acting Assistant Attorney General
Antitrust Division

† Underlining in red added.

this consistent refusal by the Department of Justice to support Aro on the issue of *unlicensed* Ford replacements demonstrates that, as to these, Aro's arguments are of private interest only, rather than of general or public significance.

Aro's Antitrust Arguments Are Totally Unfounded

Aro further urges that the instant case should have been remanded to the trial court for an award of antitrust treble damages. The Court of Appeals forcibly rejected this contention, holding (Petition, App. p. 12a):

"There is no merit whatever in this appeal".

Aro has never pleaded any antitrust statute alleged to have been violated, nor any acts comprising an antitrust violation; nor, indeed, has Aro ever pleaded any damages resulting from an alleged antitrust violation, or that it was entitled to a treble damage recovery under the antitrust laws. Aro admits all this; see Petition, p. 24, i.e., "petitioners have not demanded such relief in their pleadings".

Nevertheless, Aro suggests that its "counterclaim" permitted a treble damage award (see, for example, Petition, question 7, and Petition, pages 8 and 12). However, this counterclaim (R. 11) merely sought a declaratory judgment of patent invalidity and noninfringement; made no mention of antitrust violation; alleged no damages; and did not pray for any monetary recovery.[5] This is not even a case, therefore, where a

[5] Defendant's counterclaim (R. 11) states "this counterclaim constitutes a petition for declaratory judgment or decree under judicial code section 274 D 28 U.S. Code 2201 and 2202 • • •", and continues "Jurisdiction is invoked under judicial code section 274 D 28 U.S. Code 2201 and 2202 on a controversial issue arising under the patent laws."

supposed antitrust violation was "insufficiently" or "defectively" pleaded; it is a case in which it was *not pleaded at all.*

Aro persists, however, by urging that there should still be a treble damage award, since, under F.R.C.P. 54(c), Aro should be granted the relief to which it "is entitled". The complete answer to this contention, however, is that Aro is not "entitled" to any such relief. The trial court, after considering Aro's contentions, *rejected* them, stating (R. 33):

> "Finally, they [Aro] claim misuse of the patent, a defense I find *clearly not made out*". (Emphasis added.)

Aro conceded the correctness of this ruling, and dropped the matter, i.e., as the Court of Appeals found, "Patent misuse as a defense was clearly abandoned" (Petition, App. p. 11a).

The rule of law for which Aro contends, is accordingly this: Even though there has never been any pleading or proof of antitrust violation; even though the definitive ruling below rejected such contentions; and even though this ruling was accepted and the contentions thereafter abandoned, nevertheless says Aro, the Court below, on remand, should award antitrust damages when this Court reverses on an entirely different question.

It is submitted, however, that no considerations of public policy require that a litigant be awarded damages for something never sought, pleaded, or proved throughout a seven year period of litigation. To the contrary, public policy requires that there be an end to litigation. The Court of Appeals below was clearly correct when it found (Petition, App., p. 11a):

> "Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense

but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis".

The Court of Appeals Ruling on Misuse and Antitrust Was in Full Accord With the Mandate of This Court

When this case earlier came to this Court, Aro made the same misuse and antitrust allegations which it now makes; (see Aro's question 4, Petition, No. 582, Oct. T., 1959, p. 3). Aro's brief and oral argument in this Court were devoted in large part to such allegations; and the "Conclusion" of Aro's brief sought instructions for the very relief which Aro seeks in its present Petition; see Brief For Petitioners, No. 21, Oct. T. 1960, p. 75:

> "In view of the above discussion and authorities, it is respectfully requested that this Court reverse the decision of the court below *with instructions to declare* that the patent in suit has been misused, * * * that respondent has *violated the antitrust laws,* and that petitioners be *awarded three times the damages* proved for such violations, costs and reasonable counsel fees." (Emphasis added)

This court refused to give the requested instructions.

In its majority opinion, the Court held that patent misuse "is not an issue in this case" (365 U.S. at 344, f.n. 10).

Mr. Justice Black, in concurring, termed Aro's arguments of misuse "confusing and beside the point" (365 U.S. at 347).

Mr. Justice Brennan ruled against Aro on the ground that 35 U.S.C. 271(d), [Petition, App. p. 1b] nullified

Aro's arguments; and he stated (365 U.S. at 365, f.n. 9):

> "The legislative history makes it clear that paragraph (d) complements (c) with the view to *avoid the application of the patent misuse doctrine to conduct such as that of the patent owner in the present case.*" (Emphasis added.)

Mr. Justice Harlan (joined by Mr. Justices Stewart and Frankfurter) stated that *Mercoid,* 320 U.S. 661, recognized a misuse under "special circumstances"; but that, as a factual matter, "Those circumstances are not present in this case" (365 U.S. at 378).

It is clear, therefore, that the Court of Appeals' rejection of Aro's misuse and antitrust allegations was in no way inconsistent with this Court's mandate.

CONCLUSION

For the foregoing reasons, it is submitted that the Court of Appeals fully heeded this Court's mandate in awarding recovery for unlicensed infringing Ford replacements, and in rejecting Aro's request for treble damages. The Petition should, accordingly be *denied.*

Respectfully submitted,

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OCTOBER TERM, 1962

No. ~~655~~ 75

ARO MANUFACTURING CO., INC., ET AL.,
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v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
RESPONDENT.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

REPLY BRIEF FOR PETITIONERS

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REPLY BRIEF FOR PETITIONERS

Respondent's principal argument in the Brief in Opposition (p. 1) is (a) that the petition presents only the single issue of "Did the Court of Appeals below properly heed the mandate of this Court" and (b) that since "the Court of Appeals followed this Court's mandate precisely . . . [, t]he petition should be denied." The contention that the petition presents only a single issue is clearly erroneous as a cursory reading of the petition will reveal. Furthermore, the respondent's claim that the Court of Appeals "precisely" followed the mandate fails grotesque-

ly to reflect the puzzlement acknowledged by the Court of Appeals itself as to "whether the Supreme Court in reversing this court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned" (Pet. 8a).[1] Therefore, we believe a brief response is warranted.

1. Even if we assume that the mandate of this Court did not prohibit the Court of Appeals from reinstating a portion of its prior judgment, review of the decision of the court below is still important. For the decision of the court below conflicts with the *Mercoid* cases[2] and other decisions of this Court reflecting a "hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products."[3] *Mercoid* stands for the proposition that one can sell an unpatented element for use in a patented combination without obtaining the patentee's consent. Therefore, whether Ford cars were ever licensed has no bearing on the result that the decision of the court below conferring patent monopoly over unpatented Ford replacement fabrics is in direct conflict with *Mercoid*. In neither of its opinions has the Court of Appeals even mentioned *Mercoid*.

Whether the result reached by the court below is or is not prohibited by the Court's mandate in no way detracts from the importance of this case in delimiting the bounds of the combination patent monopoly[4] permitted by the

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[1] We use the designation "Pet." to refer to the petition for writ of certiorari and the designation "Br. Op." to refer to the brief in opposition. The West citation to the opinion of the court below is 312 F.2d 52.

[2] *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661; *Mercoid Corp.* v. *Minneapolis-Honeywell Co.*, 320 U.S. 680 (1944).

[3] *United States* v. *Loew's, Inc.*, 371 U.S. 38, 46 (1962).

[4] "The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself." *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336, 344-45 (1961).

statutes and Constitution, bounds of great importance to businessmen who want to sell unpatented parts for installation in patented machines, nor from any of the other reasons advanced in support of granting the petition.

2. Respondent erroneously states that petitioners "conceded liability for unlicensed Ford cars and, in going to the Court of Appeals the first time, argued the licensed G.M. situation only" and "this was the only subject matter on which Aro sought review" in this Court (Br. Op. 5-6). The record shows that these assertions are false. Our fourth question presented on the prior appeal read, "Does the sale of an unpatentable component for replacing a worn element of a patented combination constitute contributory infringement under 35 U.S.C. § 271 (1952)" (R. 642). And the Court restated the substance of our principal question presented as follows:

> The principal, and we think the determinative, question presented here is whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination. 365 U.S. at 338-39.

The Court answered the question by saying:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be. 365 U.S. at 345.

3. Respondent apparently relies upon the often-cited letter (Br. Op. 8) from the Department of Justice[5] as negating any general public interest or economic significance in whether a seller of unpatented replacement components requires the combination patentee's consent. In its brief filed in August 1960, the Government necessarily concluded that the patentee's consent was not required when it said:

> However, since replacement of the fabric is not direct infringement, petitioners, as supplier of the replacement, cannot be guilty of contributory infringement.[6]

4. Respondent erroneously contends that petitioners seek the following rule of law:

> Even though there has never been any pleading or proof of antitrust violation; even though the definitive ruling below rejected such contentions; and even though this ruling was accepted and the contentions thereafter abandoned, nevertheless . . . the Court below, on remand, should award antitrust damages when this Court reverses on an entirely different question (Br. Op. 10).

It is true that this Court reversed "on an entirely different question" because the interlocutory judgment (R. 42-44)

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[5] This is the same letter reproduced in two documents previously filed by the respondent. 365 U.S. 336, Brief for Respondent p. 76; Respondent's Petition for a Limited Rehearing: or, in the Alternative, Motion for Amendment or Clarification of the Court's Opinion p. 5.

[6] 365 U.S. 336, Brief for the United States as Amicus Curiae p. 7. The Government also said, "Petitioners contend that the standards of 35 U.S.C. 271(c) are not met in this case, but for reasons set forth in the text we do not believe this question need be reached." *Id.* p. 7 n. 8.

previously reviewed by the Court dealt only with the infringement and contributory infringement of the patent. But respondent is in error when it states that "the definitive ruling below rejected such contentions" of antitrust law violation, for the final judgment of the District Court dismissed our counterclaim expressly without prejudice (RA. 3). And our cross-appeal (RA. 70) is hardly an acceptance of an adverse ruling or abandonment of a claim to relief for antitrust law violations established by the record.

Respondent also misconstrues our position on what we believe is a serious error of law by the court below when it says that "there has never been any pleading or proof of antitrust law violation . . . ." Neither of the courts below purported to even look at the record to see if there had been proof of antitrust law violation. The only reason stated by the Court of Appeals for refusing to even look at the record is that petitioners have "never pleaded a cause of action under the antitrust laws" (Pet. 11a). We believe that the Court of Appeals failed to follow the modern federal rule that a cause of action is stated in a pleading containing allegations supporting the pleader's right to recovery on any legal theory and regardless of the prayer for relief.

As the Court said in *Foman v. Davis*, 371 U.S. 178, 182 (1962):

> If the underlying facts or circumstances relied upon by a . . . [pleader] may be a proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits.

Surely petitioners' original pleading alleging that respondent's assignor was a party to at least one licensing agreement "improperly extending the scope of the claimed

subject matter" of the patent in suit and "has thereby misused said patent and has improperly restrained commerce" (RA. 10-11) states a proper subject of relief for antitrust law violations. And the record now plainly establishes the truth of at least these allegations sufficient to support petitioners' right to relief under the provisions of Rule 54(c).

Apart from the importance of granting the requested relief as an aid in effecting compliance with the antitrust laws, the traditional role of federal courts of equity as dispensers of substantial justice in accordance with rules of fair play requires granting redress to these petitioners whose family business of making and selling unpatented replacement fabrics has been hampered for many years by this respondent, a shell suing corporation formed solely to bring and maintain this suit against these petitioners while leaving them an assetless shell incapable of even paying court costs. Granting the relief required by Rule 54(c) in this case carries out the policy of the Federal Rules of Civil Procedure expressed in Rule 1 "to secure the just, speedy, and inexpensive determination of every action." *Roman* v. *Davis*, 371 U.S. 178, 182 (1962).

Conclusion

For the foregoing reasons and those advanced in the petition, the petition for writ of certiorari should be granted.

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OCTOBER TERM, 1963

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v.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF FOR THE PETITIONERS

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No. 75

IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

ARO MANUFACTURING CO., INC., ET AL., PETITIONERS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

BRIEF FOR THE PETITIONERS

OPINIONS BELOW

The District Court entered final judgment (R. 1-3) without opinion following remand from this Court, 365 U. S. 336. The opinion of the Court of Appeals (R. 79-88) is reported in 312 F. 2d 52, 136 U. S. P. Q. 9. The opinion of the District Court (R. 38-40) denying respondent's motions to supplement the pleadings and modify the order of reference to the Master (R. 33-34) and to enjoin petitioners from selling certain replacement top fabrics (R. 35) is reported at 123 U. S. P. Q. 340.

The opinion of the District Court (I:33-41)[1] incorporated by reference in the interlocutory judgment (I:42-44) is

[1] The Court granted our motion for leave to use the record previously before the Court in No. 21, O. T. 1960, 365 U. S. 336. 372 U. S. 958. This record included printed volumes I, II and III containing pp. 1-403, 405-622 and 623-56, respectively. Reference to these three volumes is by a respective Roman numeral. "R." refers to the printed record in the single bound volume containing pp. 1-75 assembled for the hearing in No. 75 this term.

reported in 119 U. S. P. Q. 122. The opinion of the Court of Appeals (III:647-55) affirming that interlocutory judgment is reported in 270 F.2d 200, 122 U. S. P. Q. 536.

JURISDICTION

The judgment of the Court of Appeals was entered on December 13, 1962 (R. 88-89). The petition for certiorari was filed on February 15, 1963 and was granted April 1, 1963 (R. 94, 372 U. S. 958). The jurisdiction of this Court rests on 28 U. S. C. § 1254(1).

QUESTIONS PRESENTED.

This Court reversed the interlocutory judgment of the Court of Appeals. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336. The Court of Appeals construed the mandate of this Court as not reversing this prior Court of Appeals judgment *in toto* and reinstated a portion of that prior judgment. That prior reversed judgment had ordered an accounting and enjoined petitioners from making, selling and installing unpatented fabrics to replace spent ones in both Ford and General Motors convertibles having automatic folding top assemblies covered by respondent's combination patent.

Upon remand directly from this Court the District Court entered final judgment dismissing respondent's complaint for patent infringement with prejudice and petitioners' counterclaim seeking declaratory and general relief without prejudice. In vacating that final judgment, the Court of Appeals distinguished between General Motors and Ford cars and concluded that petitioners' liability for selling unpatented replacement fabrics for Ford cars depended upon the interpretation of a private agreement between respondent's assignor and Ford. Ford there promised to

pay for a release from liability for patent infringement arising from the manufacture, use and sale of Ford convertibles embodying respondent's combination patent, but respondent's assignor expressly retained and exercised the right to license the manufacture, use and sale of the unpatented replacement fabrics.

The questions presented are:

1. Whether the Court of Appeals could reinstate a portion of its judgment reversed by this Court and confer patent monopoly over some unpatented replacement fabrics when the Court stated:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be.

2. Whether the owner of a Ford Motor Company car could be sued under 35 U. S. C. § 271 for direct infringement (and petitioners for contributory infringement) of the combination patent because he replaced the spent unpatented fabric without the patentee's consent.

3. Whether a private agreement releasing owners of Ford convertibles from liability for infringement of the combination patent, but expressly retaining the right to license the manufacture, use and sale of the unpatented replacement fabrics, authorizes the patentee to thereafter exercise patent monopoly over any of those unpatented replacement fabrics.

4. Whether the Court of Appeals could ignore respondent's inequitable conduct which would have served as an independent basis in support of the final judgment of the District Court favorable to petitioners because the Court of Appeals concluded that the defense of misuse had not

been presented in the prior appeal from the interlocutory judgment when the record was supplemented with material not in the record on the prior appeal from the interlocutory judgment, and the record showed that respondent's formation and acquisition of just a Massachusetts territorial grant in one of two combination patents was for the purpose of suing the Massachusetts petitioners as part of agreeing, combining and conspiring to illegally restrain trade in unpatented replacement fabrics.

5. Whether the construction of Section 271(c) by the Court of Appeals conferring patent monopoly over the unpatented replacement fabrics for Ford Motor Company cars is authorized by Article I, Section 8 of the Constitution when the fabric element itself is not the discovery of an inventor.

6. Whether a final judgment can include an advisory finding, not relevant to deciding the case or controversy between the parties, that the patent is valid.

7. Whether FED. R. CIV. P. 54(c) requires that a final judgment shall grant the relief of recovery of treble damages to which the prevailing petitioners in this patent infringement suit are entitled under the antitrust laws when the petitioners alleged improper restraint of commerce through extension of the patent monopoly in their answer and counterclaim but without a specific request for treble damages.

CONSTITUTIONAL PROVISIONS INVOLVED

The Congress shall have Power . . . To promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries. U. S. Const., art. I, § 8.

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States . . . U. S. Const., art. III, § 2.

STATUTORY PROVISIONS INVOLVED

The statutory provisions involved are 35 U. S. C. Sections 112, 271 and 282 of the patent laws and 15 U. S. C. Sections 1-3, 7, 14, 15 and 18 of the antitrust laws. 69 Stat. 282 (1955), 64 Stat. 1125 (1950), 26 Stat. 209 (1890), 38 Stat. 730 (1914). They are printed insofar as pertinent in Appendix A, *infra*, pp. 1a-4a.

FEDERAL RULES OF CIVIL PROCEDURE INVOLVED

Rule 8(a), (f):

(a) Claims for Relief. A pleading which sets forth a claim for relief shall contain . . . a short and plain statement of the claim showing that the pleader is entitled to relief, and a demand for judgment for the relief to which he deems himself entitled. . . .

(f) All pleadings shall be so construed as to do substantial justice.

Rule 54(c):

(c) . . . Except as to a party against whom a judgment is entered by default every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings.

STATEMENT

A. *The Court held respondent's combination patent not infringed by replacing the spent fabric and remanded to the District Court.*

On February 27, 1961 the Court held, without distinguishing between Ford and General Motors cars, that petitioners' manufacture, installation and sale of replacements for spent unpatented fabrics in convertible automobiles embodying respondent's combination patent neither infringed nor contributorily infringed respondent's rights in its Massachusetts Territorial Grant under the combination patent.[2] Respondent then filed a petition for rehearing or alternative motion for amendment or clarification of opinion, urging the Court to revise or clarify its opinion so as to confer patent monopoly over those fabrics sold for Ford cars (R. 57-58), repeating the same contention which respondent had asserted in its brief on the merits.[3] This petition or motion was denied on April 17, 1961.[4] The Court then remanded the case to the District Court for proceedings in conformity with the opinion of the Court and awarded costs in this Court to petitioners (R. 7).

Originally respondent had instituted this proceeding with a complaint charging petitioners with infringement and contributory infringement of a combination patent entitled "Convertible Folding Top with Automatic Seal at Rear Quarter" (I:6-8). Petitioners answered, alleging the invalidity and noninfringement of the patent (I:9-11) and its

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[2] 365 U. S. 336.

[3] *Id.*, Respondent's Petition for a Limited Rehearing; or, in the Alternative, Motion for Amendment or Clarification of the Court's Opinion; Brief for Respondent pp. 73-76.

[4] 365 U. S. 890.

unenforceability arising from improperly extending the scope of the claimed subject matter and improperly restraining commerce (R. 10-12). Further answering by way of counterclaim petitioners sought a declaration of invalidity, a declaration of noninfringement (I:11-12), a declaration that the patent had been misused (R. 67) and included a general prayer for relief (I:12).

B. *The District Court entered a final judgment dismissing respondent's complaint and petitioners' counterclaim, amending to remove a finding that the uninfringed patent was valid and add that the dismissal of the counterclaim was without prejudice.*

On August 29, 1961 following remand from this Court, the District Court entered final judgment holding the patent valid, not infringed or contributorily infringed, dismissing respondent's complaint with costs to petitioners and dismissing petitioners' counterclaim without costs (R. 1-2). This judgment did not include a conclusion sought by the petitioners that the record then before the Court required granting relief to the petitioners for the harm caused by respondent's antitrust law violations in restraining trade in unpatented replacement fabrics (R. 8, 69-70). Questions arising under the patent and antitrust laws served as a basis for invoking the jurisdiction of the District Court.

On September 8, 1961 petitioners moved for an amendment of this judgment (R. 9). In response to this motion the District Court entered an amended final judgment on February 16, 1962 removing the finding of validity from the final judgment and expressly stating that the dismissal of petitioners' counterclaim was without prejudice (R. 2-3).

Respondent appealed from the refusal of the District Court to confer patent monopoly over the unpatented fabrics for replacing the spent ones in Ford Motor Company cars, and petitioners cross-appealed from the refusal of the District Court to grant relief to the petitioners for harm caused by respondent's antitrust law violations in restraining trade in unpatented replacement fabrics (R. 8, 69-70) established by the record.

C. *The Court of Appeals vacated the District Court judgment, concluded its prior judgment had not been reversed in toto by this Court, and conferred patent monopoly over replacement fabrics for Ford cars for a period dependent upon a private agreement between respondent's assignor and Ford.*

The Court of Appeals vacated the judgment of the District Court on December 13, 1962 (R. 88-89) and said:

> The puzzling question is whether the Supreme Court in reversing this Court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned.
>
> What the Court said in its opinion gives us little help. What it did not say, however, seems to us to indicate that it was not deciding the question of contributory infringement with respect to unlicensed Ford cars (R. 85).

The Court of Appeals appears to have concluded that since General Motors, the original owner of the combination patent, had not licensed the Ford car owner to use the whole patented combination, the Ford car owner must obtain the patentee's consent to replace the spent fabric and to use the replaced unpatented fabric element, citing six lower court decisions (R. 85-86 n.5), the most recent one

decided four years before *Mercoid*.[5] As in its prior opinion (III:647-655), the Court of Appeals again failed to mention either of the *Mercoid* cases (R. 79-88) and concluded

> that our previous decision in this case was not reversed, insofar as unlicensed Ford cars are concerned (R. 87).

The Court of Appeals made reference to a critical date (R. 85 n.3) in a private agreement between respondent's assignor and Ford (DX DD; I:241, II:510-13)[6] in suggesting that the extent of petitioners' liability depended upon the construction of this private agreement first made available to petitioners after respondent commenced this action. Ford there agreed to pay $73,000.00 in exchange for a release from liability for alleged infringement of both the Mackie-Duluk patent (PX 1; I:104, II:589-95) and the Ackermans convertible automobile automatic folding top combination patent (DX GG; I:267, II:567-78) arising from manufacture, use and sale of Ford Motor Co. convertible automobiles. Respondent's assignor expressly reserved "the right to license . . . the manufacture, use and sale of replacement top fabrics" under both combination patents (II:512).

The Court of Appeals refused to consider the issue of respondent's inequitable conduct on this appeal from the final judgment as an alternative basis for supporting the judgment of the District Court dismissing respondent's complaint for alleged patent infringement. While the Court of Appeals acknowledged that petitioners had argued patent misuse orally and in their brief (R. 82), it explained

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[5] *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661; *Mercoid Corp. v. Minneapolis-Honeywell Co.*, 320 U. S. 680 (1944). The only decisions of the Court, other than *Aro*, cited by the Court below relate to the patentee's right to exclude both manufacture and use of the patented product (R. 85 n.4) as distinguished from the patentee's right to patent monopoly over an unpatented element of the patented combination treated in *Mercoid* and *Aro*.

[6] "PX" and "DX" refer, respectively, to respondent's (plaintiff below) and petitioners' (defendants below) exhibits.

that it did not consider any question of respondent's patent misuse on the prior appeal because it concluded that the statement of the questions involved did not set forth or necessarily suggest any such question and the printed portions of the pleadings and the joint record appendix on that appeal did not include the allegations of misuse set forth in petitioners' answer and counterclaim (R. 82, 10-12, 67).

The Court of Appeals did not discuss the constitutional problem involved in its construction of 35 U.S.C. § 271(c) as conferring patent monopoly over some unpatented replacement fabrics for Ford cars. We had urged as an alternative basis in support of the judgment dismissing respondent's complaint that since the fabric element was not the discovery of an inventor as required by the Constitution, any construction of the statute conferring patent monopoly over any unpatented fabric element was unconstitutional.

Without discussing whether the record supported petitioners' assertion that respondent, its assignor and its assignor's licensees had agreed, combined and conspired to restrain trade in a not insubstantial volume of unpatented replacement fabrics and harmed petitioners, the Court of Appeals said that the short answer to petitioners' claim as appellants below for relief under FED. R. CIV. P. 54(c) for antitrust law violations was that petitioners had never pleaded a cause of action under the antitrust laws (R. 87).

Petitioners had alleged in their answer and counterclaim that respondent's assignor was a party to at least one licensing agreement "improperly extending the scope of the claimed subject matter" of the patent in suit and "has thereby misused said patent and has improperly restrained

commerce (R. 10-11)." The counterclaim included a specific prayer for a declaration that the patent had been misused (R. 67) and a general prayer for relief (I:12) but did not include an explicit request for treble damages.

The Court of Appeals acknowledged that the provisions of FED. R. CIV. P. 54(c) providing that every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in its pleadings, should be construed broadly to grant a prevailing party substantial justice. But it thought that rule should not be so liberally construed as to conflict with the pleading requirements set forth in FED. R. CIV. P. 8(a) and affirmed that portion of the judgment of the District Court dismissing petitioners' counterclaim without prejudice (R. 88).

D. *Respondent moves in this Court to keep the Court from considering certified record portions related to petitioners' claim of misuse and violation of the anti-trust laws.*

On April 1, 1963 the petition for certiorari was granted and accompanied by an order directing that the duly certified copy of the transcript of the proceedings below which accompanied the petition be treated as though filed in response to such writ (R. 94, 372 U. S. 958). On July 16, 1963 respondent filed a motion to settle record seeking an order that the Clerk of this Court be directed to exclude from the printed record to be used by the Court certain items in the duly certified copy of the transcript of the proceedings below and that the Court declare that these items do not comprise a portion of the record before the Court. As an alternative, respondent moved that this Court submit respondent's request to the court below for determination.

Respondent had previously asked the court below (R. 73-77) to strike the same items from the record (in addition to every other item in our record appendixes below and every portion of our briefs as appellees and appellants below making reference to the record appendixes). The Court of Appeals denied that motion, but expressly gave respondent leave to renew the motion in its brief, at the oral argument or upon taxation of costs (R. 77). Respondent never renewed its motion to strike. Previously, on April 27, 1962 respondent had joined with petitioners in filing joint motions in both appeals that either party could refer to any of the record appendixes in Appeal Nos. 5488 (the appeal reviewed by this Court during the October 1960 term), 5991 and 5993 (the appeal and cross-appeal now being reviewed).[7]

Petitioners filed a memorandum in opposition to respondent's motion to settle record on August 25, 1963, setting forth in detail the correspondence among counsel, the First Circuit Court of Appeals Clerk and Mr. Cullinan of this Court. On October 14, 1963 the Court postponed further consideration of respondent's motion until the hearing of the case on the merits.[8]

[7] The printed record (R. 72) reproduces only the joint motion in respondent's Appeal No. 5991 below, but a similar motion was filed in Appeal No. 5993, and the order of April 27, 1962 allowing these motions refers to "joint motions" (R. 72)."

[8] Since the statement in that memorandum includes facts, reasoning and law believed to be pertinent in deciding respondent's motion, we rely primarily on the position set forth in that memorandum. The postponement is noted in 32 U. S. L. WEEK 3137.

E. *The two combination patents which petitioners were charged with infringing cover a combination of unpatented elements in a convertible automobile, one element in each combination being the fabric.*

General Motors Corporation was granted the Mackie-Duluk combination patent No. 2,569,724 in suit on October 2, 1951 (PX 1; I:104, II:589-95) entitled "Convertible Folding Top with Automatic Seal at Rear Quarter." The combination claimed as the invention is illustrated in FIG. 1 of the patent (II:589) and includes, a folding bow structure **1** supported on an automobile body **4**, the fragmentarily illustrated flexible top material or fabric **20** supported by the folding bow structure **1** and extending downwardly at the sides toward the rear where the lower portion **28** of the fabric is connected to a rain trough **22**, and a wiping arm **10** operatively connected to the folding bow structure so that it rises from a position outlined by dashed-dotted lines to press the flexible material **20** into sealing contact with an inside surface of the automobile body **4** when the top is raised as shown in FIG. 2 of the patent to keep water from entering at the rear quarter. Neither the patent (II:594-95) nor the application (PX 2; I:104, II:405-459) ever included a claim that the fabric or its shape, pattern or design constituted the invention. Petitioners manufactured, for replacement purposes only, the unpatented fabric portion designed to fit the models of convertibles equipped with automatic folding tops embodying the combination covered by the patent in suit for both General Motors and Ford Motor Company cars (I:33, III:648, R. 89-90).

Although respondent brought suit on only the Mackie-Duluk patent, its assignor also charged petitioners with contributory infringement of the Ackermans combination patent (PX 9a; R. 26, II:473-74), upon which General Motors

had been sued for direct infringement.[9] That patent was granted to Ackermans on April 17, 1951 (DX GG; I:267, II:567-78) and entitled "Folding Top for Automobiles". It also relates to a convertible-type automobile automatic folding top. Of the claims including the fabric as an element of the combination claimed, claim 7 (II:576) is probably the broadest and calls for a combination of elements illustrated in Figs. 9-10 of the drawing (II:571): Claim 7 recites the combination, in a vehicle body having a side structure **122** terminating in a belt line **120**, **121**, of flexible top material **126** having the rear portion of its lower edge secured to the body adjacent the belt line **120**, such as by the belt molding **132** serving to secure the lower edge of the rear portion of the top material **126** permanently in place, as indicated at **123** (Fig. 9) and having the forward portion of the flexible top material lower edge forming a prolongation or flap **130** extending downwardly within the vehicle body below the belt line **121**, a lateral cushion or seal **128** carried by the prolongation **130**, a folding pillar **22** hinged to the vehicle body on a main top pivot **24** and secured to the top material **126** to exert forward pull on the material and press the cushion **128** attached to the prolongation **130** against an inner part of the vehicle body side structure **122** when the top is in the up position to minimize the seepage of water through the juncture between the top and the body of the vehicle. Like the Mackie-Duluk combination patent in suit, none of the 18 claims (II:576-78) claims that the fabric or its shape, pattern, design or the fabric **126** with the cushion **128** attached to the prolongation **130** constitutes the invention.

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[9] *Ackermans v. General Motors Corp.*, 202 F. 2d 642 (4th Cir.), *cert. denied*, 345 U. S. 996 (1953) reversed the Maryland District Court's finding of lack of invention. 108 F. Supp. 368 (D. Md. 1952).

F. *Respondent's assignor was formed, acquired both combination patents as essentially its only assets, and licensed the manufacture, use and sale of unpatented replacement fabrics under both combination patents.*

We turn now to a consideration of how respondent's assignor acquired both these combination patents and employed them to license the manufacture, use and sale of unpatented replacement fabrics, fabrics which neither patent claimed as the invention. The first step was the organization of respondent's assignor as a Maryland corporation in May 1953 (I:101) essentially as a patent holding company (R. 19). It acquired the Ackermans patent and all rights for past infringement from Ackermans (DX DD; I:241, II:510). After this Court had denied on June 15, 1953, the petition for writ of certiorari filed by General Motors, 345 U. S. 996, respondent's assignor acquired the Mackie-Duluk combination patent in suit from General Motors during the settlement of this case allegedly for the sum of $80,000.00 (PX 9a; R. 26, II:473) on December 30, 1953 (DX-CC; I:241, II:509).

Three days later William D. Hall, the patent lawyer of respondent's assignor (and partner of respondent's counsel [R. 25]) wrote a letter to petitioner Aro dated January 2, 1954 saying:

> . . . It is obvious, from the foregoing and from an inspection of the convertible automobile sold by the Ford Motor Company, that anyone selling ready-made replacement fabrics for these automobiles would be guilty of contributory infringement of said patents. We understand that you have been selling such fabrics and also ready-made fabrics for General Motors convertibles. If this be the case, you have, therefore, been guilty of contributory infringement of the aforesaid Ackermans Patent 2,549,153.

* * *

> We are willing to grant you or your suppliers a license under both of the aforesaid patents for a 5% royalty. The royalty is to be computed on only those replacement fabrics which would constitute contributory infringement if sold without the patentee's consent (PX 9a, R. 26, II:473-74).

Petitioner Aro changed its fabric construction after consultation with its counsel and through a letter dated May 10, 1954 from its counsel refused to accept an offer for a license to sell unpatented replacement fabrics (PX 9d; R. 26, II:475-76).

More than a year later respondent's assignor released the Ford Motor Company and users of its products of all claims that it might have against Ford or its customers for infringement of either combination patent "arising out of the manufacture, use or sale of devices disclosed" in these patents and manufactured before December 31, 1955, other than "replacement top fabrics" licensed under paragraph 3 of that agreement (DX DD; I:241, II:510-11). Paragraph 3 required Ford to pay royalties under both combination patents for the sale of unpatented "replacement fabrics which, if sold without the patent owner's consent, would constitute contributory infringement of one or more of said two patents, under 35 United States Code, § 271 (II:511-12)". Ford paid such royalties to respondent's assignor (I:31-32, R. 15-16). William D. Hall, the patent lawyer for respondent's assignor, when questioned about this agreement, testified that "we would have the right to arrive at royalty and otherwise consider as patented the replacement top . . . because any release that was granted obviously runs out when the original fabric wears out and is replaced (R. 25)."

The consequent demand for replacement fabrics has given rise to a substantial industry in which petitioners

(I:34) and Atlas International, the first replacement fabric manufacturer licensed by respondent's assignor (I:31, R. 31) are nationally prominent in this competitive business (R. 55). Respondent's assignor and Atlas entered into an agreement licensing unpatented replacement fabrics a year and a half after petitioner Aro refused to enter such an agreement. The agreement dated November 10, 1955 (Wright Dep. Ex. 4; R. 26, I:338, II:617-22) required Atlas to pay a royalty on the sale of each unpatented replacement fabric for use in all 1950-54 General Motors cars, all 1953-54 Ford Motor Company cars, all 1953 Chrysler Corporation cars and "[a]ny model of car after the 1955 model where the manufacturer of the car marks one or more of the . . . [Ackermans and Mackie-Duluk] patent numbers on new cars of that model or pays royalty on the replacement top fabric that it sells for that model" "without regard to whether such top is covered by either of said patents (II:617-18)."

Atlas complained to respondent's assignor that it was paying royalties while its competitors were not (PAX 2; R. 52, 50, 32).[10] William D. Hall wrote letters on behalf of respondent's assignor to other sellers of replacement fabrics in addition to the letter sent to petitioner Aro in January 1954 (PX 9a; R. 26, II:473-74), accusing them of infringing both combination patents (R. 19-20, 22-23). A letter dated August 28, 1956 stated that the accused "infringer" could "eliminate any question of infringement" by purchasing replacement fabrics alleged to infringe these combination patents from Atlas (R. 16-18). Sears Roebuck Co. purchased its replacement fabric requirements from Atlas (R. 23).

[10] "PAX" and "DAX" refer to respondent's (plaintiff below) and petitioners' (defendants below) exhibits, respectively, received into evidence by the Master during accounting hearings conducted in the fall of 1959 in accordance with the order in the interlocutory judgment of the District Court (I:43) held before the Court granted certiorari on February 29, 1960 (III:656). Respondent has moved to strike all evidence received during these accounting hearings.

G. *In one month, respondent was formed, acquired only a "Massachusetts Territorial Grant" in only the Mackie-Duluk patent, and commenced this suit in Massachusetts.*

Less than six months after the agreement with Atlas and nearly two years after petitioner Aro refused a license from respondent's assignor to manufacture, install and sell unpatented replacement fabrics, respondent was formed as a Maryland corporation (I:6) on April 5, 1956 (R. 13). Twelve days later respondent acquired a "Territorial Grant" limited to the Commonwealth of Massachusetts in only the Mackie-Duluk combination patent from its assignor (I:7). Its assignor retained the rights in every other state in this combination patent and kept the whole interest in the Ackermans combination patent. Ten days later on April 27, 1956 respondent commenced this action (I:1).

Elliott I. Pollock and William D. Hall, patent lawyers for respondent and its assignor, are law partners (R. 31, 25). Respondent's president and one of its three stockholders is Mrs. Pollock (R. 13, 22). Her residential address and respondent's business address are the same (R. 13). A second stockholder and its secretary is Douglas G. Carlson (R. 13).[11] Its third stockholder and treasurer is Norman E. Quible (R. 13), the accountant for respondent's assignor (R. 21). Respondent has derived no income from the patent in suit, nor has it disclosed any source of any income (R. 13-14, 29-30, 35) or any asset other than a bank account of $140.50 and the patent in suit (R. 58-59).

[11] The Journal of the Patent Office Society for August 1962 carried an advertisement on the inside of the back cover, announcing the availability of the services of Douglas G. Carlson as a patent draftsman.

H. *Respondent's assignor, in agreement with respondent, licensed other replacement fabric manufacturers after the District Court's interlocutory judgment, in part to satisfy Atlas that its competition was paying also.*

After the interlocutory judgment of the District Court (I:42-44) but before that judgment was affirmed by the Court of Appeals, respondent and its assignor agreed in early 1959 that respondent's assignor could license other replacement fabric manufacturers under both combination patents and collect royalties from the sale of unpatented replacement fabrics (R. 30, 35, 36-37). Respondent's assignor then pressed other replacement fabric manufacturers to take licenses, among other reasons to satisfy Atlas that its competition was paying also. Respondent's assignor entered into license agreements with Ohio, New York, Virginia and Massachusetts replacement fabric manufacturers (R. 32) calling for royalty payments on the sale of unpatented replacement fabrics (*E.g.*, DAX B-4; R. 54, 41-48). Each of these license agreements expressly refused to release any claim that either respondent or its assignor had or might have arising from this suit against the petitioners (*E.g.*, R. 48).

J. *Ten days after the Court of Appeals affirmed the interlocutory judgment, respondent obtained the remaining United States rights in the Mackie-Duluk patent from its assignor, but the District Court refused to let respondent supplement its complaint to recite this acquisition, denied respondent's motion for a perpetual injunction, and postponed consideration of respondent's alleged inequitable conduct.*

The Court of Appeals affirmed the interlocutory judgment of the District Court on August 31, 1959 (III:656).

Ten days later respondent's assignor assigned the remaining United States rights in the Mackie-Duluk combination patent to respondent on September 10, 1959 (PAX 1; R. 51-52, 26-29). Two weeks later respondent moved on September 24, 1959 to enjoin petitioners from selling certain unpatented replacement fabrics (R. 5, 35). Respondent also filed a motion to supplement its pleadings to recite its recent acquisition of the remaining United States rights in the Mackie-Duluk combination patent (R. 33-34). Respondent explained that it was not in a financial position to acquire complete title until very recently because its assignor "placed a high value on the complete patent rights, and the financial assets of Plaintiff permitted acquisition of only a territorial right." Since other replacement fabric firms settled with respondent's assignor after the interlocutory judgment of the District Court, the "remaining value of the patent in suit thereby diminished appreciably wherefore Plaintiff's financial position permitted acquisition of these diminished rights (R. 33-34)."

On October 27, 1959 the District Court refused to enjoin the petitioners from selling the unpatented fabrics and denied respondent's motion to supplement its pleading (R. 38-40), saying:

> While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plaintiff's ingenuous-appearing explanations [R. 33-34] as to why it is attempting to increase its bets, now that its horse is out in front, and the race, in all probability, over (R. 38-39).

While the District Court did not at that time decide whether respondent's inequitable conduct barred it from recovering, the District Court made the observation

> that any judgment in the present suit in plaintiff's favor will not mean that a later action on its new

rights will be a "pianola case." The points which defendants are presently advancing with respect to plaintiff's alleged inequitable conduct may be there quite pertinent (R. 39).

K. *The District Court stayed the accounting over respondent's objection after this Court granted certiorari, and the Court reversed the interlocutory judgment.*

After this Court granted certiorari on February 29, 1960 (III:656), 362 U. S. 902, petitioners moved to stay the accounting (R. 6). Respondent was unwilling to agree to this stay without petitioners posting a bond, although respondent estimated that its reasonable expected recovery would be of the order of $50,000.00 and that if petitioners' business building and residential homes attached by respondent (I:3-4) were as represented by petitioners' counsel, the value of the attached property was $100,000.00 (R. 56-57). The District Court stayed the accounting on April 15, 1960 (R. 6-7). The special master had already reported on January 20, 1960 that all testimony and documentary evidence of the accounting had been received (R. 6).

This Court reversed the interlocutory judgment, holding that there can be no direct infringement (and hence, of course, no contributory infringement) of a combination patent by replacement of any of the components of the patented entity unless (1) such component is itself separately patented or (2) the entire entity is rebuilt at one time. Since the fabric element was not itself separately patented, and since it constituted but one part of the patented combination, the Court concluded that petitioners' supplying of such fabrics for replacement on cars equipped

with the patented combination did not as a matter of law constitute contributory infringement.[12] The Court stated:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be. 365 U. S. at 345.

L. *Except for a small bank account, respondent's only asset is the patent in suit, and its liabilities are primarily attributable to this patent and this suit.*

Following receipt of the judgment of this Court in the District Court on April 21, 1961, respondent answered a request from the District Court for information on its financial condition by stating that it had $140.50 in the bank, "carried" the patent in suit on its books at the net value of approximately $27,900.00 against which there are unidentified contractual liabilities of $32,000.00 and that it has an "accumulated operating deficit, primarily attributable to the instant suit" of approximately $10,500.00 (R. 58-59). In addition to the exchange of rights under the Mackie-Duluk patent set forth above flowing between the two corporations, at least $10,000.00 of the "contractual liability" of respondent is to its assignor. This sum was originally due for payment on June 1, 1958 but the time for payment was extended (R. 20). Insofar as the record shows this sum has never been paid. William D. Hall testified that respondent's assignor, which he represents (PAX 2; R. 52, 31), is entirely distinct from respondent (R. 24), represented by his law partner (R. 25).

[12] 365 U. S. 336, 370 (dissenting opinion of MR. JUSTICE HARLAN).

M. ***Petitioners informed the District Court that even after the reversal by this Court and the assignment of all rights in the Mackie-Duluk combination patent to respondent, respondent's assignor demanded royalties under this patent for selling replacement fabrics.***

Petitioners informed the District Court that even after this Court had handed down its opinion on February 28, 1961, correspondence on the letterhead of Moore & Hall over the signature of William D. Hall demanded payment of royalties to the licensing corporation on the sale of certain unpatented replacement fabrics for installation in 1952-54 Ford Motor Company cars under the Mackie-Duluk patent, although respondent's assignor did not then own this patent, and on replacement fabrics with a "cushion" for installation in 1950-54 Ford Motor Company and General Motor cars under the Ackermans combination patent, claiming such payments were required by agreements licensing the sale of the unpatented replacement fabrics (R. 62-63). In a letter dated November 8, 1961 to District Judge Julian, also on the letterhead of Moore & Hall, Elliott I. Pollock disclaimed "familiarity" with such correspondence (R. 64).

Petitioners also informed the trial court that a letter dated September 12, 1961 on the letterhead of Moore & Hall over the signature of Elliott I. Pollock stated:

> . . . Plaintiff is convinced that there is no merit in Defendants' contentions regarding the antitrust law, but even if you should be otherwise persuaded, it should by now be clear to you that even if you were to somehow prevail on this issue, any judgment entered against Plaintiff would be of little monetary value to the Defendants (R. 63).[13]

[13] Respondent wrote a letter to District Judge Julian characterizing our quoting this paragraph as "reprehensible" because the letter also included a

(Footnote continued on following page)

N. *Respondent and its assignor claimed patent monopoly over more than $2,000,000.00 worth of unpatented replacement fabrics.*

The record shows that respondent and its assignor sought to exercise monopoly rights over at least $2,321,687.40 worth of unpatented fabrics. $796,500.00 of this sum represents the amount of replacement fabrics manufactured and sold by petitioners from 1954 to 1958 which respondent claimed patent monopoly over during the accounting proceedings (R. 53-54, 56, 68). The remainder of this sum is determined by taking the sum of the royalty payments which respondent admits its assignor received (I:31, 32, R. 32) and dividing that sum by 0.05, corresponding to the maximum 5% royalty which respondent's assignor taxed its licensees.[14] This sum excludes the dollar volume of replacement fabrics sold by Rayco, a relatively large concern sued by respondent's assignor. The suit was settled on essentially the same terms as the Atlas agreement (R. 32).

(Footnote continued from preceding page)

settlement proposal (R. 64-65). We explained in the court below that while evidence of the settlement offer may not be admissible, many decisions regard all statements of fact made in connection with it as admissions if the offeror is a party to the action. MORGAN, BASIC PROBLEMS OF EVIDENCE 186 (1957 ed.) refers to 80 A. L. R. 914, 919 (1923) for numerous cases. *N. Y. Cent. R. R. v. Central New Eng. Ry.*, 264 Mass. 128, 153-154, 162 N. E. 324, 332 (1928), *aff'd on federal questions sub nom. Central New England Ry. v. B. & A. Ry. Co.*, 279 U. S. 415 (1929).

[14] The total royalties on the sale of unpatented replacement fabrics includes $49,095.03 from Atlas for the period from January 1, 1956 through June 30, 1959, $12,000.00 from the Ohio, New York, Massachusetts and Virginia replacement fabric manufacturers licensed in about April 1959 (PAX 2; R. 52, 32), $14,800.00 from General Motors and $364.34 from Ford in 1956 and 1957 (I:31) for total royalties of $76,259.37. Dividing this sum by the decimal equivalent of the 5% royalty in the license agreements (R. 42-43, II:474, 511) yields a quotient of $1,525,187.40 as the minimum dollar volume of replacement fabrics over which respondent's assignor exercised patent monopoly. Adding the $796,500.00 worth of replacement fabrics manufactured by petitioner Aro (14% over $698,000.00) from 1954 to 1958 (R. 53-54, 56, 68) over which respondent itself sought to exercise patent monopoly yields $2,321,687.40 as the minimum dollar volume of replacement fabrics over which respondent and its assignor claimed patent monopoly over by virtue of the two combination patents.

O. *Evidence of petitioners' legal fees in connection with this litigation.*

While the record does not show the total money damages incurred by petitioners resulting from the activities of respondent and its assignor, the petitioners' accountant testified under oath in November 1959 on direct examination by respondent's counsel, that the legal fees charged to the petitioners in connection with this litigation then amounted to $11,065.96 (R. 69).

SUMMARY OF ARGUMENT

The Court held that petitioners neither infringed nor contributorily infringed respondent's combination patent by manufacturing, selling or installing unpatented replacement fabrics in reversing the interlocutory judgment of the Court of Appeals dealing with replacement fabrics for both Ford and General Motors cars. The Court ruled:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent, is entitled to patent monopoly however essential it may be to the patented combination, and no matter how costly or difficult replacement may be. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 345 (1961).

The replacement fabric for a Ford car is not itself separately patented. The Court thus finally disposed of respondent's rights to patent monopoly over unpatented replacement fabrics without regard to whether they replaced spent ones in Ford or General Motors convertibles. The Court of Appeals was foreclosed from re-examining the grounds of the Court's disposition. *N. A. A. C. P. v. Alabama*, 360 U. S. 240, 244-45 (1959); *Sibbald v. United States*, 12 Pet. 488, 492 (1838).

Since respondent's assignor could not sue owners of Ford cars for direct infringement (and hence petitioners

for contributory infringement), respondent cannot stand in any better position merely because its assignor had expressly reserved and exercised a claimed "right" to license the manufacture, use and sale of the unpatented replacement fabrics in a private agreement with Ford. If there is anything that this Court made clear, it is that the combination patent monopoly cannot be expanded by contract to cloak an unpatented element of the patented combination with protection as effective as if a patent had been issued on that element. *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661, 667 (1944).

The inequitable conduct of respondent in agreeing, combining and conspiring with its assignor in a scheme involving the manipulation of combination patent rights to restrain trade in unpatented replacement fabrics not only bars respondent from maintaining any action for direct or contributory infringement, but also violates the antitrust laws. *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661. The replacement fabrics are unpatented goods. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 339. The efforts by respondent and its assignor to bring the unpatented replacement fabrics within the scope of the two combination patents and control competition in replacement fabrics plainly violates the antitrust laws, and petitioners are entitled to be relieved against the consequences of those acts. *Mercoid Corp. v. Minneapolis-Honeywell Co.*, 320 U. S. 680, 684.

Even if respondent's expansion of the combination patent monopoly to embrace unpatented replacement fabrics had not amounted to a violation of the antitrust laws, this expansion is misuse of the combination patent and serves as an independent basis supporting the judgment of the District Court dismissing respondent's complaint for pat-

ent infringement. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942). Respondent breached the uncompromising duty of a patentee to keep the scope of the patent within its legitimate bounds. *Precision Co. v. Automotive Co.*, 324 U. S. 806, 816 (1945). This breach of duty is aggravated here by using this shell corporation respondent as a sword for the real parties in interest to bring this suit against only these petitioners while acting as a shield from liability by leaving petitioners an assetless shell incapable of even paying the costs assessed two years ago by this Court. The Court below erred in refusing to even look at respondent's inequitable conduct as a basis for supporting the final judgment dismissing respondent's complaint because it is well settled that petitioners, as appellees below, could point to any portion of the record and urge any grounds in support of the District Court judgment in their favor. *E.g., Jaffke v. Dunham*, 352 U. S. 280 (1957); *Anderson v. Atherton*, 302 U. S. 643 (1937); *Langnes v. Green*, 282 U. S. 531, 538-39 (1931); *United States v. American Ry. Exp. Co.*, 265 U. S. 425, 435 (1924). This rule applies even if petitioners had not raised the point on a prior appeal from an interlocutory judgment. *United States v. U. S. Smelting Co.*, 339 U. S. 186, 198-99 (1950).

Petitioners pleaded a cause of action under the antitrust laws by alleging that respondent's assignor had improperly extended the scope of the claimed subject matter and had improperly restrained commerce through a licensing agreement. *Foman v. Davis*, 371 U. S. 178, 182 (1962). It is immaterial that petitioners' pleading did not include a specific prayer for treble damages because FED. R. CIV. P. 54 (c) expressly provides that "Every final judgment shall grant the relief to which the party in whose favor it is

rendered is entitled, even if the party has not demanded such relief in his pleadings." The Court of Appeals erred in concluding that the provisions of FED. R. CIV. P. 8(a), which require the pleader to state what relief he thinks he should get at the time he files his pleading, override the provisions of Rule 54(c), which require the Court to give the prevailing party the relief to which he is entitled based on the law applied to the facts established by the record at the time the court enters final judgment.

Since for any of the reasons advanced in support of the final judgment of the District Court dismissing respondent's complaint, respondent is barred from maintaining an infringement action, the validity of respondent's patent is a hypothetical question. The District Court correctly removed the finding of validity from the final judgment. *Elec. Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241 (1939). To hold a patent valid when it is not infringed is to decide a hypothetical question. *Altvater v. Freeman*, 319 U. S. 359, 363 (1943).

The Constitution gives Congress the power to confer exclusive rights for a limited time in only the discovery of an inventor. U. S. Const., art. I § 8. Whether the subject matter over which an exclusive right is sought meets the requirement that it be the discovery of an inventor is measured by a constitutional standard. *Hill v. Wooster*, 132 U. S. 693, 701 (1890); *Thompson v. Boisselier*, 114 U. S. 1, 11 (1885). There is no constitutional authority for giving a combination patent additional value by bringing into its monopoly all or any of its unpatentable parts. *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661, 680 (dissenting opinion of MR. JUSTICE JACKSON). The fabric element of respondent's combination patent does not meet the constitutional requirement that it be the discovery of

an inventor. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 361-62 (concurring opinion of MR. JUSTICE BLACK).

ARGUMENT

I. THIS COURT RULED THAT RESPONDENT'S COMBINATION PATENT CONFERRED NO MONOPOLY RIGHTS OVER ANY KIND OF UNPATENTED REPLACEMENT FABRIC IN REVERSING THE INTERLOCUTORY JUDGMENT OF THE COURT OF APPEALS DEALING WITH REPLACEMENT FABRICS FOR BOTH FORD AND GENERAL MOTORS CARS.

This Court rejected the argument first advanced in respondent's brief on the merits and then advanced in its petition for a limited rehearing or alternative motion for amendment or clarification of opinion[15] that even if it were not entitled to patent monopoly over replacement fabrics for General Motors cars, it was entitled to monopoly rights over the unpatented replacement fabrics for installation on Ford cars. But since a replacement fabric for a Ford convertible is no more than an unpatented element of the combination claimed in the patent as the invention, the decision of the Court below conferring patent monopoly over any of these unpatented fabrics conflicts with the mandate of this Court directing that proceedings conform with the opinion of the Court stating:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly however essential it may be to the patented combination, and no matter how

[15] 365 U. S. 336, Brief for Respondent, pp. 73-76; Respondent's Petition for a Limited Rehearing; or, in the Alternative, Motion for Amendment or Clarification of the Court's Opinion, denied April 17, 1961. 365 U. S. 890.

costly or difficult replacement may be. 365 U. S. at 345.

The interlocutory judgment reversed by this Court embraced unpatented replacement fabrics for both Ford and General Motors cars. The dissenting justices restated the holding of the Court as follows:

> . . . In reversing, the Court holds that there can be no direct infringement (and hence, of course, no contributory infringement) of a combination patent by replacement of any of the components of the patented entity unless (1) such component is itself separately patented or (2) the *entire* entity is rebuilt at one time. Since the fabric cover component of the Mackie-Duluk top was not itself separately patented, and since it constituted but one part of the patented combination, the Court concludes that Aro's supplying of such covers for replacement on cars equipped with respondent's tops did not as a matter of law constitute contributory infringement. 365 U. S. at 370.

The Court thus finally disposed of respondent's rights to patent monopoly over unpatented replacement fabrics for installation in all cars without regard to whether they were Ford or General Motors convertibles, and the Court of Appeals was foreclosed from re-examining the grounds of the Court's disposition. *N. A. A. C. P. v. Alabama*, 360 U. S. 240, 244-45 (1959); *Sibbald v. United States*, 12 Pet. 488, 492 (1838).

The grant to the patentee is the right to exclude others from making, using, or selling the invention, 35 U. S. C. § 154, the invention defined by the patent claims particularly pointing out and distinctly claiming the subject matter regarded as the invention. 35 U. S. C. § 112, *infra* 1a-2a. One must make, use or sell the *patented* invention without authority during the term of the patent to infringe. 35 U. S. C. § 271(a), *infra* 1a. These statutory provisions reflect Congressional approval of the decisions of this

Court for more than 45 years that the patent monopoly is limited to the scope of the patent claims for the term of the patent grant.[16]

Ever since *Motion Picture Patents Co. v. Universal Film Co.*, 243 U. S. 502 (1917) overruled *Henry v. A. B. Dick Co.*, 224 U. S. 1 (1912) this Court has consistently held that the patent monopoly cannot be extended by the patentee to demand that the user of the patented invention purchase unpatented materials necessary for practicing the patented invention from a source designated by the patentee. The Court held in *Motion Picture Patents* that to permit the patentee to "derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used", is "wholly without the scope of the patent monopoly." 243 U. S. at 517.

That the unpatented material happens to be an unpatented element of the patented combination does not draw to it the privileges of a patent. In *Carbice Corp. v. American Patents Dev. Corp.*, 283 U. S. 27 (1931) the Court held that the doctrine of *Motion Picture Patents* is applicable to unpatented material which the patentee-licensor characterizes as a "necessary" or "dynamic" element of the patented combination. And in *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661 (1944) the Court held that the

[16] Just before the bill was passed in the Senate, Senator Saltonstall asked on the floor, "Does the bill change the law in any way or only codify the present laws." Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate replied, "It codifies the present patent laws." 98 Cong. Rec. 9323 (July 4, 1952). The "present patent laws" then included *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502 (1917); *Carbice Corp. v. American Patents Dev. Co.*, 283 U. S. 27 (1931); *Leitch Mfg. Co. v. Barber Co.*, 302 U. S. 458 (1938); *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942); *Mercoid Corp. v. Mid-Continent Co.*, 320 U. S. 661 (1944). "These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles." *United States v. Loew's, Inc.*, 371 U. S. 38, 46 (1962).

scope of the patent grant conferred upon the owner of a combination patent does not embrace an unpatented appliance, even though it is an essential part of the combination; and that one who supplies such unpatented appliance, even though it was not a common article of commerce, was expressly designed for use in the patented combination, and was characterized by the patentee as the "heart" or distinguishing feature which brought the combination up to the inventive level, might not be held as a contributory infringer.

In his opinion dissenting on procedural grounds Mr. Justice Roberts observed that the purchaser and user of the unpatented appliance for original installation in the patented combination did not infringe the combination patent by virtue of such use and installation of the unpatented element; therefore, one who sold to him could not be amerced for contributing to a non-existent infringement.[17] Nothing in the opinion of the Court indicates any disagreement with this fundamental proposition that the installation, use and sale of an unpatented element is not a "making," "use" or "sale" of the whole patented combination and therefore not an infringement of the combination patent. 35 U. S. C. § 271(a), *infra* 1a.

We cannot see a logical basis for reconciling the decision of the Court below conferring patent monopoly over any unpatented replacement fabric which the Court below characterizes as the "material part" of the patented combination with the decisions of this Court foreclosing combination patentees from exercising monopoly rights over the unpatented dry ice block called the "dynamic" element of the patented combination in *Carbice*,[18] and the unpat-

[17] 320 U. S. at 674.
[18] 283 U. S. at 33.

ented thermostatic switch called the "heart of the invention" in *Mercoid*.[19]

If *Mercoid* forbids the patentee from exercising patent monopoly over an unpatented element for original installation in a patented combination, *a fortiori Aro* should have left no doubt that the patentee has no right to patent monopoly over an unpatented element for replacing a spent one in a patented combination. To sanction such control would be to permit the patentee "to derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies"[20] necessary for its continued use or operation.

The results of the decision of the Court below are to seriously impair the value of the patent claims in letting businessmen know when they infringe a combination patent and to open the door for combination patentees to specify the sources for unpatented "material" parts used in patented combinations without even subjecting that "material" part to the scrutiny of the technically and legally qualified Patent Office experts who conduct the examination required by statute, 35 U. S. C. §§ 131-135, for compliance with formal requirements, 35 U. S. C. §§ 111-122, and minimum standards of patentability established by statute 35 U. S. C. §§ 100-104 and the Constitution.[21] Since the Patent Office conducts its search of the prior art on the subject matter as claimed, or that may in the future properly be claimed[22] and rejects and allows subject matter claimed,[23]

[19] 320 U. S. at 667.

[20] 243 U. S. at 517.

[21] U. S. Const., art. 1 § 8; *Hill v. Wooster*, 132 U. S. 693, 701 (1890); *Thompson v. Boisselier*, 114 U. S. 1, 11 (1885).

[22] Manual of Patent Examining Procedure, ¶ 904.01(d) (3d ed. 1961).

[23] *Id.* ¶ 760. Patent practitioners representing applicants direct their arguments "to establish the patentability of the claimed invention under the applicable rules of law and in light of the prior art." *Sperry v. Florida*, 373 U. S. 379, 383 (1963).

the Patent Office does not pass upon the patentability of an element, not itself separately claimed, that constitutes one of the elements of the combination upon which the patent is granted.

The court below thus construed the contributory infringement provisions of § 271 inconsistently with the statutory requirements for "particularly pointing out and distinctly claiming" the alleged invention, 35 U. S. C. § 112, and subjecting it to examination by the Patent Office experts. Instead the court below extended the coverage of respondent's combination patent to embrace one of the separate elements in the combination that the patentee never claimed in the application or patent as the invention.

By this construction the combination patentee's right to an additional monopoly in such an unpatented element is determined by judges in federal courts without the benefit of an independent evaluation of its patentability by the Patent Office experts. This construction can only lead to a further expansion of the area of uncertainty which surrounds the scope of every one of the hundreds of combination patents issued each week so that increased litigation may be expected while making it easier for the combination patentee to specify the sources of unpatented "material" parts used in patented combinations.

A corollary of increased litigation is a reduction in the number of small businessmen willing to risk selling unpatented devices which never were and never could be the subject of a patent. A businessman ought to be able to rely on what the publicly available patent document claims is patented in deciding whether he must obtain the patentee's consent before he can make and sell an element for installation in a patented machine without being subjected to the constantly overhanging threat of a suit for patent infringement for the sale of an unpatented article.

It can hardly be doubted that a combination patentee will eagerly classify each unpatented element of the patented combination with significant market potential as a "material" part. Nothing in the language of the statute, its legislative history[24] or the decisions of this Court support this unwarranted expansion of the combination patent monopoly.

II. SINCE RESPONDENT'S ASSIGNOR COULD NOT SUE OWNERS OF FORD CONVERTIBLES FOR DIRECT INFRINGEMENT (AND HENCE PETITIONERS FOR CONTRIBUTORY INFRINGEMENT), RESPONDENT CANNOT STAND IN ANY BETTER POSITION MERELY BECAUSE RESPONDENT'S ASSIGNOR HAD EXPRESSLY RESERVED AND EXERCISED A CLAIMED "RIGHT" TO LICENSE THE MANUFACTURE, USE AND SALE OF THE UNPATENTED REPLACEMENT FABRICS IN A PRIVATE AGREEMENT WITH FORD.

There has never been any disagreement among the members of the Court that without an infringement there can be

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[24] The legislative history shows that the purpose of the contributory infringement provisions was to prevent the Court's decision in *Mercoid v. Mid-Continent Inv. Co.*, 320 U. S. 661, from being treated as having obliterated the law of contributory infringement. MR. JUSTICE BLACK set forth some of this history in his concurring opinion in *Aro*, 365 U. S. at 347-49 nn. 2-4.

The members of the subcommittee in charge of the bill for the House understood that *Amalgamated Dental Co. v. William Getz Corp.*, 90 U. S. P. Q. 339, (N. D. Ill. 1951) represented a proper case of contributory infringement authorized by the proposed statutory provisions. But there the patented combination was a mixture of four chemicals, constituting the material part of the invention, dissolved in the fifth element of the patented combination, water, constituting the immaterial part of the invention. The contributory infringer sold the four dry chemicals to dentists in a package properly proportioned so that when the dentist dissolved the contents in water, he "made" the patented combination consisting of plastic material for taking dental impressions. Hearings before Subcommittee of House Judiciary Committee on H. R. 3760, 82d Cong., 1st Sess. 155-56 (1951). It was made clear to these subcommittee members that the seller of a single one of these unpatented chemicals with full knowledge that it would be combined with the other unpatented elements of the combination to form the patented combination would not be liable as a contributory infringer. *Id.* 161-62.

no contributory infringement.[25] If a patentee consents to the use of a patented machine by the machine owner through license, release or otherwise, the patentee cannot sue that machine owner for direct infringement or anyone else for contributory infringement whose alleged liability is derived from such use by such owner. One royalty to one patentee for one sale of one patented machine is ample reward for whatever contribution the inventor makes in furthering the progress of the useful arts and of science under the patent clause of the Constitution and the patent law.

The basis for respondent claiming additional monopoly rights over unpatented replacement fabrics for Ford cars advanced to this Court during the October Term of 1960 was that the release which its assignor granted to Ford "demonstrated an intention not to release persons like the defendants who had made replacements in the past (I:27)" and "Rights against persons such as Aro were not only *not* released by implication, *but were expressly reserved in paragraph 5 of the Ford agreement* (II:512)."[26] Although the District Court acknowledged that respondent's assignor had released Ford and the individual owners who had purchased Ford convertibles for liability "for past replacements", the District Court construed the private agreement between Ford and respondent's assignor as not releasing "contributory infringers for rights of action already accrued (I:27, 33 n.1)." The District Court accepted petitioners' contention that "if conduct is *clearly* repair the patentee should not be permitted to require payment of royalties therefor (I:27 fn.)."

[25] 365 U. S. at 341, 347, 372.

[26] 365 U. S. 336, Brief for Respondent, p. 75; Respondent's Petition for a Limited Rehearing; or, in the Alternative, Motion for Amendment of Clarification of the Court's Opinion, pp. 10-11.

The Court of Appeals apparently concluded that respondent did have an additional patent monopoly over those unpatented fabrics made and sold by petitioners for replacing spent ones in Ford cars during a period depending upon the terms of the private agreement between respondent's assignor and Ford (R. 85 n. 3). It is true that respondent's assignor expressly reserved in that agreement (DX DD; I:241, II:512) and exercised a claimed "right" to derive additional profits from licensing the manufacture, use and sale of the unpatented replacement fabrics (I:31-32, R. 15-16, 31-33, 40-56). But if there is anything that the Court made clear in *Mercoid*, it is that the combination patent monopoly cannot be expanded by contract to cloak an unpatented element of the patented combination with protection as effective as if a patent had been issued on that element.[27]

III. THE CONDUCT OF RESPONDENT IN AGREEING, COMBINING AND CONSPIRING WITH ITS ASSIGNOR IN A SCHEME INVOLVING THE MANIPULATION OF COMBINATION PATENT RIGHTS TO RESTRAIN TRADE IN UNPATENTED REPLACEMENT FABRICS NOT ONLY BARS RESPONDENT FROM MAINTAINING ANY ACTION FOR DIRECT OR CONTRIBUTORY INFRINGEMENT BUT ALSO VIOLATES AT LEAST SECTION 1 OF THE SHERMAN ACT.

The instant case graphically illustrates the evils of the extension of the combination patent monopoly to embrace unpatented material. This illegal extension not only fails to promote the constitutional and statutory purposes of the patent laws, but also erodes the competitive policy

[27] 320 U. S. at 667.

fundamental to our free enterprise system sought to be promoted by the antitrust laws, a policy consistently approved and strengthened for more than half a century by Congress. The struggle here is not over the convertible top automatic folding mechanisms covered by the two combination patents and the right to make and use such devices. The contest is solely over unpatented fabrics which replace spent ones in the patented automatic folding tops. The competition which is sought to be controlled is not competition in the patented assemblies but merely competition in the sale of the unpatented replacement fabrics. The two combination patents have been employed to protect the market for unpatentable replacement fabrics on which no patent has or could have been granted. But for the patent such restraint on trade would plainly run afoul of the antitrust laws. If the restraint is lawful because of the patent and the private agreements among respondent, its assignor, and its assignor's licensees, the federal courts will have approved the expansion of two combination patent monopolies by contract. An element on which no patent has been or could be obtained has been afforded monopoly rights by the court below as effective as if a patent on the element had been issued. Respondent's assignor has functioned as its own Patent Office and imposed its own law upon its licensees, having obtained by contract what letters patent alone may grant. The decision of the court below expanding respondent's combination patent to embrace any unpatented replacement fabrics carves out exceptions to the antitrust laws which Congress has not sanctioned and this Court has consistently forbidden.

A. THE COURT OF APPEALS DEPARTED FROM THE ACCEPTED RULE THAT AN APPELLEE MAY URGE ANY GROUNDS SUPPORTING A FAVORABLE JUDGMENT BELOW WHEN THE COURT OF APPEALS REFUSED TO CONSIDER RESPONDENT'S INEQUITABLE CONDUCT AS SUPPORTING THE FINAL JUDGMENT OF THE DISTRICT COURT DISMISSING RESPONDENT'S COMPLAINT FOR PATENT INFRINGEMENT.

Although the record was filled with evidence that respondent had agreed, combined and conspired with its assignor in a scheme involving the licensing of the manufacture, use and sale of unpatented replacement fabrics logically indistinguishable from the scheme condemned by this Court in *Mercoid* as a misuse of patents and violation of the antitrust laws,[28] the court below refused to consider respondent's inequitable conduct as a basis for supporting the judgment of the District Court in dismissing respondent's complaint for patent infringement. Conduct involving the extension of the patent monopoly to restrain trade in any way in unpatented supplies bars the patentee from

[28] The conspiracy in violation of §1 of the Sherman Act, *infra* 3a, arises implicitly from the course of dealing of the parties, here resulting in respondent enforcing the patent against petitioners to the benefit of respondent's assignor and its licensees. *United States v. Singer Mfg. Co.*, 374 U. S. 174 (1963). The attempt to monopolize the substantial market for unpatented replacement fabrics violates §2 of the Sherman Act, *infra* 3a. *United States v. Griffith*, 334 U. S. 100, 106-08 (1948). And when the patentee conditions its consent to the use of the convertible automobile after the fabric is spent (R. 25) on the car owner refusing to deal in a replacement fabric manufactured by a company not "licensed" under the patentee's combination patent, §3 of the Clayton Act, *infra* 4a is violated. *Times-Picayune Publishing Co. v. United States*, 345 U. S. 594, 608-09 (dictum) (1953); *International Salt Co. v. United States*, 332 U. S. 392, 396 (1947).

We also believe that §7 of the Clayton Act, *infra* 5a, was violated both when respondent's assignor obtained the Mackie-Duluk combination patent from General Motors and when respondent obtained the "Massachusetts Territorial Grant" from its assignors. It can hardly be doubted that these acquisitions of corporate assets had the effect of substantially lessening competition in and tending to create a monopoly in the unpatented replacement fabrics.

maintaining an action for either direct or contributory infringement even if that conduct does not amount to a violation of the antitrust laws;[29] *a fortiori* the antitrust-law-violating respondent can maintain no infringement action against anyone.

By refusing to even consider respondent's inequitable conduct as a basis to support the final judgment in favor of petitioners as appellees in the court below, the Court of Appeals departed from the established rule of law that an appellee may point to any portion of the record and urge any grounds in support of the judgment rendered in its favor below. *E. g., Jaffke v. Dunham*, 352 U. S. 280 (1957); *Anderson v. Atherton*, 302 U. S. 643 (1937); *Langnes v. Green*, 282 U. S. 531, 538-39 (1931); *United States v. American Ry. Exp. Co.*, 265 U. S. 425, 435 (1924). This settled rule applies even if the grounds urged had not been raised before on a prior appeal from an interlocutory judgment. *United States v. U. S. Smelting Co.*, 339 U. S. 186, 198-199 (1950).

The doctrine of patent misuse is nothing more than an application of the equitable principle that he who would invoke equity must do equity.[30] In applying the doctrine to bar a patentee from maintaining a suit for infringement of the patented invention in *Precision Co. v. Automotive Co.*, 324 U. S. 806 (1945) because of the inequitable conduct of the patentee in an interference proceeding before the Patent Office seeking unlawfully broad patent coverage, the Court explained that

> a patent is an exception to the general rule against monopolies and to the right to access to a free and open

[29] *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488 (1942).

[30] For a discussion of the assimilation of the "clean hands" maxim to the maxim "He who seeks equity must do equity," particularly in relation to patent misuse, see *Chafee, Some Problems of Equity*, 55-61, 100 (1950).

market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. 324 U. S. at 816.

B. THE ESTABLISHMENT OF RESPONDENT AS A SHELL CORPORATION FOR USE AS A SWORD TO SUE ONLY THESE PETITIONERS AND AS A SHIELD TO KEEP THE REAL PARTIES IN INTEREST FROM EVEN BEARING COURT COSTS WHILE ITS ASSIGNOR EXACTED TRIBUTE FROM LICENSING THE MANUFACTURE, USE AND SALE OF UNPATENTED REPLACEMENT FABRICS IS INCONSISTENT WITH THE REQUIREMENT THAT "PATENT MONOPOLIES SPRING FROM BACKGROUNDS FREE FROM FRAUD OR OTHER INEQUITABLE CONDUCT AND THAT SUCH MONOPOLIES . . . [BE] KEPT WITHIN THEIR LEGITIMATE SCOPE."

The record establishes a concerted course of conduct involving respondent and its assignor to illegally restrain trade in unpatented replacement fabrics, unpatented fabrics which the lawyer of respondent's assignor said:

> . . . [W]e would have the right to arrive at royalty and otherwise consider as patented the replacement top . . . within the bounds of our patent, because any release that was granted obviously runs out when the original fabric wears out and is replaced (R. 25).

Respondent's assignor reserved the "right" under both combination patents to license the "manufacture, use and sale of replacement top fabrics" in its agreement with Ford (DX DD; I:241, II:512) and exercised that "right"

(I:31-32, II:617-22, R. 15-18, 22-23, 25, 27, 31-33, 40-49, 49-50, 52-53).

The concerted acts of respondent and its assignor in forming this respondent as a shell corporation for the purpose of commencing and maintaining this suit against these Massachusetts petitioners while its assignor collected royalties through agreements licensing unpatented replacement fabrics under two combination patents can hardly be questioned. Respondent was formed (R. 13), received from its assignor a "Territorial Grant" limited to Massachusetts in only the combination patent in suit (I:7) and instituted this action (I:1) in the Massachusetts District Court, all in the single month of April 1956. Respondent never paid its assignor anything for the "Massachusetts Territorial Grant" other than a promise to pay $10,000.00 which so far as the record shows remains unpaid (R. 20, 59). For consideration of a dollar respondent conveyed to its assignor the right to grant licenses and releases under the "Massachusetts Territorial Grant" (R. 36-37). And ten days after the Court of Appeals had affirmed the interlocutory judgment of the District Court in favor of respondent, its assignor assigned the rest of the rights in the Mackie-Duluk combination patent to respondent to help respondent "increase its bets, now that its horse is out in front, and the race in all probability over (R. 39)."

Although respondent then owned all rights in the Mackie-Duluk combination patent, we informed the District Court that even after the Opinion of this Court, correspondence on the letterhead of Moore and Hall over the signature of William D. Hall, respondent's assignor's patent lawyer, demanded royalty payments alleged to be still required by agreements licensing replacement fabrics

under both the Mackie-Duluk and Ackerman's combination patents (R. 62-63). In a letter to us dated September 12, 1961 following the statement on respondent's financial condition (R. 58-59) filed on May 22, 1961, on the same letterhead of Moore and Hall over the signature of Elliot I. Pollock, it was stated that "it should now be clear to you that . . . any judgment entered against Plaintiff would be of little monetary value to the Defendants (R. 63)." And respondent evaded supplying information concerning its assignor's dealings during discovery by claiming to be "not informed as to the correct answer" to petitioners' interrogatory (R. 15).

The assertion by William D. Hall that respondent's assignor is entirely distinct from respondent because the officers, directors and stockholders are different (R. 24) is a veil of separation whose transparency is revealed by the acts enumerated above. Moreover, two of three patent lawyers in a three man patent law partnership represent respondent's assignor (R. 18, 25, 31) and the third member of that partnership represents respondent. And the three directors of respondent's assignor are one of these three patent lawyers, his wife and the wife of a second of these three lawyers (R. 19, 22).

By these activities the respondent, engaged in an illegal restraint of trade in unpatented replacement fabrics, breaches the uncomprising duty of a patentee to keep patent monopolies within their legitimate scope. This breach of duty is aggravated here by using this respondent as a sword for the real parties in interest to bring this suit against only these petitioners while insulating its assignor from discovery (R. 15) and acting as a shield from liability (R. 63) by leaving petitioners an assetless shell (R. 58-59) incapable of even paying the costs assessed more than two years ago by this Court (R. 7).

Additional evidence in support of misuse and other inequitable conduct of respondent first entered the record after the Court of Appeals had affirmed the interlocutory judgment. After this affirmance but before all the evidence and exhibits had been received in the accounting hearings (R. 6) conducted at the insistence of the respondent, the District Court did not consider itself foreclosed from considering respondent's inequitable conduct in its memorandum of October 2, 1959 where it said:

> While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plaintiff's ingenuous-appearing explanations as to why it is attempting to increase its bets, now that its horse is out in front, and the race, in all probability, over. . . .
>
> I might make two observations, in passing. The first is that it does not at all follow that any judgment in the present suit in plaintiff's favor will mean that a later action on its new rights will be a "pianola case." The points which defendants are presently advancing with respect to plaintiff's alleged inequitable conduct may be there quite pertinent (R. 38-39).

The decisions of this Court have consistently emphasized the importance of the public interest involved in a patent infringement suit. Respondent asked this Court and the Courts below to affirm that portion of the interlocutory judgment enjoining petitioners from selling unpatented replacement fabrics for Ford cars (R. 57-58, 60). But in the words of the Court in *Mercoid*,

> Should such a decree be entered, the Court would be placing its imprimatur on a scheme which involves a misuse of the patent privilege and a violation of the anti-trust laws. It would aid in the consummation of a conspiracy to expand a patent beyond its legitimate scope. But patentees and licensees cannot secure aid from the Court to bring such an event to pass, "unless it is in accordance with policy to grant that

> help." . . . . And the determination of that policy is not "at the mercy" of the parties . . . . "Where an important public interest would be prejudiced," the reasons for denying injunctive relief "may be compelling." . . . . That is the principle which has led this Court in the past to withhold aid from a patentee in suits for either direct or indirect infringement, where the patent was being misused. 320 U. S. at 670.

There the Court ruled that the alleged contributory infringer selling the unpatented appliances for original installation in the patented combination could raise misuse as a defense for the first time in a second law suit between the patentee and the alleged contributory infringer although the alleged contributory infringer allowed a prior suit which it defended against the patentee to reach final judgment without raising misuse. If the public policy involved is strong enough so that a final judgment in a first law suit between the patentee and the alleged contributory infringer does not bar the alleged contributory infringer from raising the misuse defense in a second law suit, *a fortiori* that policy required the court below to consider misuse as an alternative basis in support of the judgment dismissing respondent's complaint when the defense was argued and briefed on a first appeal from an interlocutory judgment that was reversed by this Court and urged as an alternate ground in support of the final judgment entered by the District Court.

The Eighth Circuit Court of Appeals has correctly applied the principles in *Mercoid* in holding that the policy of uncovering and preventing misuse of patents is so great that a court must on its own motion consider misuse whenever it learns of it in any way and refuse to enforce patent rights of a patentee engaged in misuse. *Frank Adams Elec. Co. v. Westinghouse Elec. Mfg. Co.*, 146 F. 2d 165,

167 (8th Cir. 1945). That case cites *Bell & Howell Co. v. Bliss*, 262 Fed. 131 (7th Cir. 1919) where the doctrine of unclean hands barred a patentee with an interest assigned by a real party in interest just to bring the suit from maintaining the suit. The latter case seems to be particularly in point here where the respondent patentee obviously has an interest assigned by the real party in interest just to bring and maintain this suit.

One of the most effective safeguards for vindicating the dominant public interest in the administration of the patent system has been the refusal of the courts to lend their aid in any way to the enforcement of patent rights where the patents have been misused to subvert public policy. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, 494 (1942); see *Carbice Corp. v. American Patent Dev. Corp.*, 283 U. S. 27 (1931); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502 (1917); *Pope Mfg. Co. v. Gormully*, 144 U. S. 224 (1892). We believe that the court below failed to give adequate recognition in this case to the public importance of the misuse doctrine, and to applicable decisions of this Court. The result of allowing that decision to stand would be an unwarranted narrowing of the scope of the doctrine with a consequent erosion of the competitive policy underlying the doctrine's existence.

IV. SINCE THE RECORD ESTABLISHES THAT RESPONDENT HAS AGREED, COMBINED AND CONSPIRED WITH ITS ASSIGNOR TO ASSERT PATENT MONOPOLY OVER MORE THAN $2,000,000 WORTH OF UNPATENTED REPLACEMENT FABRICS IN VIOLATION OF THE ANTITRUST LAWS AND HARMED PETITIONERS, FED. R. CIV. P. 54(c) REQUIRED THAT THE FINAL JUDGMENT GRANT PETITIONERS THE RELIEF OF TREBLE DAMAGES TO WHICH THEY WERE ENTITLED, REGARDLESS OF THE PRAYER FOR RELIEF IN PETITIONERS' PLEADING.

The monopoly in the sale of certain unpatented replacement fabrics sought to be vested in licensees of respondent's assignor through the expansion of combination patent monopolies is a result logically indistinguishable from that condemned in the *Mercoid* cases as a violation of the antitrust laws. "The legality of any attempt to bring unpatented goods within the scope of the patent monopoly is measured by the anti-trust laws, not the patent laws." *Mercoid Corp. v. Minneapolis-Honeywell Co.*, 320 U. S. 680, 684 (1944).[31]

The parallel between the instant case and *Mercoid* is strikingly similar except that the instant case is a more flagrant violation of the antitrust laws. There the struggle was not over the right to make and vend the patented heating system combination, but over the right to make

[31] It is "unreasonable *per se* to foreclose competitors from any substantial market. . . . The volume of business affected by these contracts [$500,000 worth of unpatented salt in a single year for use in a dispensing machine covered by a combination patent] cannot be said to be insignificant or insubstantial and the tendency of the arrangement to accomplishment of monopoly seems obvious." *International Salt Co. v. United States*, 332 U. S. 392, 396 (1947). The more than $2,000,000.00 worth of replacement fabric business affected by the suing and licensing scheme of respondent and its assignor cannot be said to be insignificant or insubstantial and the tendency of the scheme to accomplishment of monopoly seems obvious.

and vend the unpatented thermostatic switches for *original* installation in patented systems assembled without the consent of the patentee. Here, the struggle is not over the right to make and vend the patented automatic folding top mechanisms of the convertible automobiles, but over the right to make, vend and install the unpatented fabrics for *replacement* installation in machines manufactured, sold and used with the patentee's consent. To obtain that consent Ford paid respondent's assignor $73,000.00 for a release under both combination patents (DX DD; I:241, II:510-11). General Motors reached a settlement of a lawsuit with respondent's assignor (PX 9a, R. 26, I:473) involving the Ackermans combination patent. And General Motors, as owner of the Mackie-Duluk combination patent, derived its reward from the profit associated with the sale of each General Motors convertible covered by that patent.

Although the Court recognized in the second *Mercoid* case that the agreements licensing unpatented thermostatic switches also included illegal price fixing provisions, the Court expressly said:

> For the reasons stated in *Mercoid v. Mid-Continent Investment Co., supra*, the effort here made to control competition in this unpatented device plainly violates the antitrust laws, even apart from the price-fixing provisions of the license agreements. It follows that petitioner is entitled to be relieved against the consequences of those acts. *Mercoid v. Minneapolis-Honeywell Co.*, 320 U. S. 680, 684 (1944).

The effort here made to control competition in these unpatented replacement fabrics violates the antitrust laws more plainly. The patent laws do not authorize, and the Sherman act prohibits such efforts among combination patentees to encroach upon the public domain and usurp

the market for unpatented replacement parts to royalty-paying licensees.

A. PETITIONERS PLEADED A CAUSE OF ACTION UNDER THE ANTITRUST LAWS BY ALLEGING THAT RESPONDENT'S ASSIGNOR WAS A PARTY TO AT LEAST ONE LICENSING AGREEMENT "IMPROPERLY EXTENDING THE SCOPE OF THE CLAIMED SUBJECT MATTER" OF THE PATENT IN SUIT AND "HAS THEREBY MISUSED SAID PATENT AND HAS IMPROPERLY RESTRAINED COMMERCE."

The court below dismissed petitioners' contention as appellants below that the final judgment should have relieved petitioners of the consequences of respondent's antitrust law violations because petitioners "never pleaded a cause of action under the antitrust laws (R. 87)." But the Court said in *Foman v. Davis*, 371 U. S. 178, 182 (1962):

> If the underlying facts or circumstances relied upon by a . . . [pleader] may be a proper subject of relief, he ought to be afforded an opportunity to test his claim on the merits.

Surely petitioners' original pleading alleging that respondent's assignor was a party to at least one licensing agreement "improperly extending the scope of the claimed subject matter" of the patent in suit and "has thereby misused said patent and has improperly restrained commerce (R. 10-11)" sets forth underlying facts or circumstances which are a proper subject of relief under the antitrust laws.

B. IT IS IMMATERIAL THAT PETITIONERS' PLEADING DID NOT INCLUDE A SPECIFIC PRAYER FOR TREBLE DAMAGES BECAUSE FED. R. CIV. P. 54(c) EXPRESSLY PROVIDES THAT "EVERY FINAL JUDGMENT SHALL GRANT THE RELIEF TO WHICH THE PARTY IN WHOSE FAVOR IT IS RENDERED IS ENTITLED, EVEN IF THE PARTY HAS NOT DEMANDED SUCH RELIEF IN HIS PLEADINGS."

Long before the Federal Rules of Civil Procedure came into existence this Court recognized that a pleader in equity, under a general prayer for relief, should receive that relief to which he may be entitled upon the facts plainly stated in the bill, even though obtained under a different theory than that advanced in a special prayer. *Lockhart v. Leeds*, 195 U. S. 427, 436-37 (1904). Rule 54(c) advances the policy behind that ruling by directing that final judgments give the prevailing party the relief to which he is entitled even if that party didn't ask for that relief in his pleading. After explaining that the provisions of Rule 54(c) apply to defending parties as well as claimants for relief, Professors Moore and Vestal summarized the provisions by saying, "In brief, it is the duty of the court to grant the relief to which a party is entitled regardless of the prayer for relief in the pleadings."[32] And the relief to which a prevailing party is entitled upon final judgment is that relief authorized under the law applied to the facts established by the record.[33]

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[32] *Moore and Vestal*, MOORE'S MANUAL—FEDERAL PRACTICE AND PROCEDURE, § 25.03[8] (1962).

[33] *Farmer v. Arabian American Oil Co.*, 285 F. 2d 720, 722 n.2 (2d Cir.), *cert. denied*, 364 U. S. 824 (1960); *Fanchon & Marco, Inc. v. Paramount*

(Footnote continued on following page)

Where, as here, petitioners are entitled under the law applied to the facts of record to a judgment holding the respondent liable for violation of the antitrust laws, carrying out the directions of Rule 54(c) advances the policy of the antitrust laws in promoting free competition in unpatented goods so that the public obtains the best goods at the lowest price free from the hidden taxes and restrictions on sources which combination patentees frequently seek. The threat of the private antitrust action for treble damages is probably the most effective deterrent to participation in antitrust law violation. If owners of combination patents realize that employing federal courts as an aid for restraining trade in unpatented goods will lead to liability for treble damages, the chances of other owners of combination patents repeating the illegal activities apparent in this record are greatly reduced. The activities which we brought to the attention of the District Court following the decision of the Court demonstrate that apparently even an opinion from the Supreme Court of the United States telling a patentee that a combination patent does not give the patentee an additional monopoly over unpatented replacement elements is insufficient to persuade the patentee to keep its combination patent monopolies within their legitimate bounds. For respondent's assignor continued to demand royalties called for by an agreement licensing replacement fabrics under both combination patents (R. 62-64), even though it had previously assigned all rights in one of them to respondent (R. 34).

(Footnote continued from preceding page)

Pictures, 202 F. 2d 731, 734 (2d Cir. 1953); *Ring v. Spina*, 148 F. 2d 647, 653 (2d Cir. 1945), 166 F. 2d 546, 549 (2d Cir.), *cert. denied*, 335 U. S. 813 (1948); *Hawkins v. Frick-Reid Supply Corp.*, 154 F. 2d 88, 89 (5th Cir. 1946); *Dann v. Studebaker-Packard Corp.*, 288 F. 2d 201, 216-17 nn. 48-51 (6th Cir. 1961); *Kansas City, St. L. & C. R. R. Co. v. Alton R. R. Co.*, 124 F. 2d 780 (7th Cir. 1941); *Whittaker v. Wall*, 226 F. 2d 868, 872 (8th Cir. 1955); *Jones v. Ingling*, 303 F. 2d 438 (9th Cir. 1962); *Neff v. Western Cooperative Hatcheries*, 241 F. 2d 357, 363 (10th Cir. 1957); *Keiser v. Walsh*, 118 F. 2d 13, 14 (D. C. Cir. 1941).

The private antitrust action is a vital supplement to the limited resources at the disposal of the Government for enforcing compliance with the antitrust laws. The Government must necessarily concentrate most of its efforts in policing the large industries. Small industries must therefore depend primarily on the private antitrust action for eliminating antitrust law violations. The federal courts have a duty to help police small industries for antitrust law violations by awarding injured parties treble damages whenever an antitrust law violation apparent in the record is brought to the attention of the court prior to final judgment. If those who would exploit small industries realized that even relatively small-scale violations of the antitrust laws brought to the attention of a federal court will subject them to treble damages, few would risk such illegal activities. The courts below have breached this duty to the public by refusing to apply the antitrust laws to the illegal restraint of trade in unpatented replacement fabrics established by the record.[34]

[34] The record is incomplete as to the total damages suffered by petitioners resulting from the antitrust law violations but does show at least a portion of the legal expenses incurred in defending this suit (R. 69). And every court of appeals faced with the question has decided that legal expenses incurred in defending a patent infringement suit brought in violation of the antitrust laws are trebled and awarded to the party sued. *Dairy Foods, Inc. v. Dairy Maids Products Cooperative*, 297 F. 2d 805, 809 (7th Cir. 1961); *Switzer Bros., Inc. v. Locklin*, 297 F. 2d 39, 47 (7th Cir. 1961), *cert. denied*, 369 U. S. 851 (1962); *Clapper v. Original Tractor Cab Co.*, 270 F. 2d 616, 624 (7th Cir. 1959), *cert. denied*, 361 U. S. 967 (1960); *Kobe, Inc. v. Dempsey Pump Co.*, 198 F. 2d 416, 424-26 (10th Cir.), *cert. denied*, 344 U. S. 837 (1952). "And while the subject matter of the controversy and the parties are before the court, it has jurisdiction to enforce restitution and so far as possible correct what has been wrongfully done." *B. & O. R. R. Co. v. United States*, 279 U. S. 781, 786 (1929).

V. THE CONSTRUCTION OF THE CONTRIBUTORY INFRINGEMENT PROVISIONS BY THE COURT BELOW CONFERRING PATENT MONOPOLY OVER REPLACEMENTS FOR THE FABRIC ELEMENT IS UNCONSTITUTIONAL BECAUSE THE FABRIC ELEMENT IS NOT THE DISCOVERY OF AN INVENTOR.

The Constitution authorizes Congress to pass legislation securing to an inventor the exclusive right to his discovery for a limited time. U. S. Const., art. I § 8. It therefore follows that any subject matter sought to be exclusively appropriated under the patent laws enacted by Congress must meet the constitutional standard that it be the discovery of an inventor. *Hill v. Wooster*, 132 U. S. 693, 701 (1890); *Thompson v. Boisselier*, 114 U. S. 1, 11 (1885). The fabric element of respondent's combination patent does not meet this constitutional standard. *Aro Mfg. Co. v. Convertible Top Co.*, 365 U. S. 336, 361-62 (concurring opinion of Mr. Justice Black). The Court of Appeals stretched the scope of the contributory infringement provisions in 35 U. S. C. § 271(c) beyond the limits permitted by the Constitution in finding authority in these provisions for respondent to exercise patent monopoly over any replacement for the spent fabric element for any length of time.

Only a fragment of the fabric is illustrated in the patent drawing (PX 1, I:104, II:589-91). The General Motors attorneys never remotely suggested that the fabric itself was an invention. They said, "The real invention is fastening the folding material considerably below the top of the tonneau and then using a wiping arm automatically operated by the bow structure for wiping the inside of the folding material as the top is raised and pressing it against the top of the tonneau (PX 2; I:104, II:445)."

Nothing in the record lends any support to a conclusion that the fabric element is a discovery of an inventor.

Quite to the contrary, the prior art of record shows the fabric element. Figs. 9 and 10 of the prior art (I:29) Ackermans patent (DX GG: I:267, II:571) show a fragmentarily illustrated top fabric **126** having a flap **130** carrying seals **128** that contact the inner edge of the automobile body at and below the belt line **121** to minimize the seepage of water through the juncture between the top and the body of the vehicle and direct water seeping through the juncture between the top and the body to the rain trough **124**. And Fig. 3 (II:581) and Fig. 10 (II:583) of the prior art Best patent (DX GG: I:267) show a top fabric **18** having downwardly extending side panels **20** which are snap fastened by the moveable parts **59** and the pins **58** to secure the top fabric to the inside of the body at these points. A fabric element shown in the prior art cannot be the discovery of an inventor who claims as his invention a combination of elements including the fabric.

VI. TO HOLD A PATENT VALID WHEN AN INFRINGEMENT ACTION CANNOT BE MAINTAINED IS TO DECIDE A HYPOTHETICAL QUESTION.

Since the final judgment of the District Court dismissing respondent's complaint for patent infringement is correct for any of the reasons advanced above, the validity of respondent's patent is a hypothetical question unnecessary to support that portion of the final judgment. The District Court correctly followed *Elec. Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241 (1939).

In *Altvater v. Freeman*, 319 U. S. 359, 363 (1943), the Court explained that to hold a patent valid when it is not

infringed is to decide a hypothetical question, citing *Cover v. Schwartz*, 133 F. 2d 541, 545-47 (2d Cir.), *cert. denied*, 319 U. S. 748 (1943) where Judge Frank concluded that to do so was unconstitutional. This conclusion was repeated in *Katz v. Horni Mfg. Corp.*, 145 F. 2d 961, 962 n. 4 (2d Cir. 1944), *cert. denied*, 324 U. S. 882 (1945).[35] *Altvater* and *Katz* indicate that a judgment can hold a patent invalid when it is not infringed. The Constitution would not seem to prohibit a finding of invalidity which would serve as an alternate basis for the judgment in favor of the alleged infringer, for a finding that independently supports a judgment is not moot.

And the public has an interest in having a court void an invalid patent because:

> The existence of an invalid patent may substantially impair the economic position of those who market articles which infringe such a patent, even though no infringement suits may be immediately threatened. Potential purchasers may naturally be reluctant to establish business relations upon so insecure a basis. *Altvater v. Freeman*, 319 U. S. 359, 371 (dissenting opinion of MR. JUSTICE FRANKFURTER).

But it is against public policy to buttress the statutory presumption of validity, 35 U. S. C. § 282, by rendering an advisory adjudication that a patent is valid, an adjudication having no bearing on the final disposition of the action. We believe that the constitutional provision conferring jurisdiction on federal courts to adjudicate only cases arising under the laws and Constitution of the United States forbids such an advisory adjudication. U. S. Const., art. III, § 2; *Marbury v. Madison*, 1 Cranch 137 (1803) (by implication); *Bickel, The Passive Virtues*, in 75 HARV. L. REV. 40, 42 (1961).

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[35] While unclear as to whether a court is required to adjudicate the validity or invalidity of a patent in a case before it, the Ninth Circuit Court of Appeals followed *Electrical Fittings. Lockwood v. Langendorf United Bakeries, Inc.*, 139 U. S. P. Q. 220, 227 (9th Cir. 1963).

Since the effect of a judgment in a case extends beyond the interests of the immediate litigants to guiding the conduct of many people, public policy demands that the possibility of such a judgment outlining erroneous guides to conduct be kept to a minimum. By restricting the courts to deciding concrete questions which support the judgment disposing of the litigation, the courts must focus their attention on the relevant considerations advanced by the parties and drawn from the extensive experience of mature judges to decide the concrete questions within a concrete factual background where the practical effect of the decision in at least one realistic setting is apparent. While it may not be a failure-safe procedure, there is much less chance that courts will define erroneous guides to conduct than if they try to also adjudicate hypothetical questions unnecessary to disposing of the litigation.

CONCLUSION

The judgment of the Court of Appeals should be reversed with instructions to reinstate the judgment of the District Court insofar as it holds the patent not infringed or contributorily infringed with no findings of validity and order the District Court to award petitioners treble damages and counsel fees for respondent's violation of the antitrust laws.

Respectfully submitted,

DAVID WOLF,
CHARLES HIEKEN,
Counsel for Petitioners.

NOVEMBER 1963.

APPENDIX A

§ 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such product, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement. 35 U. S. C. § 271.

Appendix A

§ 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most clearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof. 35 U. S. C. § 112.

§ 282. Presumption of validity; defenses

A patent shall be presumed valid. The burden of establishing invalidity of the patent shall rest on a party asserting it.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement, or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition of patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

ANTITRUST LAWS

Sherman Act

Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal . . . 69 Stat. 282, 15 U. S. C. § 1.

Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. 69 Stat. 282, 15 U. S. C. § 2.

Sec. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between

any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is hereby declared illegal. . . . 69 Stat. 282, 15 U. S. C. § 3.

Sec. 8. That the word "person", or "persons", wherever used in this act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the Territories, the laws of any State, or the laws of any foreign country. 26 Stat. 210, 15 U. S. C. § 7.

Clayton Act

Sec. 3. That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies, or other commodity of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create

a monopoly in any line of commerce. 38 Stat. 731, 15 U. S. C. § 14.

Sec. 4. That any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. 38 Stat. 731, 15 U. S. C. § 15.

Sec. 7. . . . [N]o corporation engaged in commerce shall acquire . . . any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly. . . . 64 Stat. 1125, 15 U. S. C. § 18.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 75

ARO MANUFACTURING COMPANY, INC., et al, *Petitioners,*

v.

CONVERTIBLE TOP REPLACEMENT COMPANY, INC., *Respondent.*

BRIEF FOR THE RESPONDENT

STATEMENT

Respondent has noted, in reviewing Petitioner's brief, factual allegations with which Respondent disagrees; and a number of factual omissions which, it is submitted, are important to a proper evaluation of the decision below. In order to avoid repetition of these factual matters in a separate Statement, Respondent's analysis of the record and of the decision below will be set forth, with proper references to the record in the Argument.

COUNTERSTATEMENT OF QUESTIONS PRESENTED

Respondent submits that the questions before this Court should be stated as follows:

1. Whether the Court of Appeals' latest decision in this matter, reported at 312 F. 2d 52, was correct in construing this Court's earlier *Aro* decision, 365 U.S. 336 (1961), as not absolving Aro for unauthorized top replacements or other repairs to unlicensed Ford cars.

2. Whether the Court of Appeals below was correct in holding that unauthorized repair to an unlicensed infringing Ford car was an act of direct infringement "left intact" when Congress enacted 35 U.S.C. § 271 (a); and whether Aro was such a direct infringer when it repaired unlicensed Ford cars in the Aro trim shop.

3. Whether the Court of Appeals' decision below, holding Aro to be a contributory infringer when Aro sold specially cut tops meeting all the tests of 35 U.S.C. § 271(c), for use by direct infringers other than Aro in the repair of unlicensed Ford cars, was consistent with the mandate in this Court's earlier *Aro* decision.

4. Whether the distinction between licensed General Motors cars and unlicensed Ford cars expressly noted in Mr. Justice Brennan's concurring opinion in *Aro*, 365 U.S. at p. 368, was a distinction intended by the majority opinion as well, when the majority opinion speaks throughout of licensed structures only.

5. Whether the Court of Appeals was correct in holding that Aro was not entitled to an antitrust treble damage award when Aro never pleaded any alleged antitrust cause of action, and never demanded any

relief under the antitrust laws; when, at the time the *Aro* case was earlier heard here, the Antitrust Division of the Department of Justice expressly refused to join in Aro's misuse and antitrust allegations; when all of Respondent's activities in this matter were within the sanction of 35 U.S.C. § 271(d), and in accord with prior decisions of this Court; and when every opinion of this Court in the earlier *Aro* decision rejected Aro's allegations of misuse.

SUMMARY OF ARGUMENT

I. The Mackie-Duluk patent in suit No. 2,569,724, discloses a pioneer invention in the automobile convertible top field characterized by a fabric top of entirely new shape fastened to a convertible automobile in an entirely new manner.

A. For some fifty years prior to Mackie-Duluk, the industry recognized that there were a number of major problems inherent in convertible top structures. Although the best engineers in the automobile industry worked on these problems, no solution was forthcoming until Mackie-Duluk. Mackie-Duluk solved all these problems. The trial Court termed Mackie-Duluk's solution "a substantial and enlightened step, filling a long-felt want".

B. The witnesses for both sides were unanimous that Mackie-Duluk's top shape and fastening was the thing which brought success out of failure. One witness, a retired chief trim engineer, with fifty years experience in the field, termed the Mackie-Duluk shape and fastening a "revolutionary idea".

II. The issue now before this Court is narrow, and involves Aro's liability as an infringer and contributory infringer in respect to Aro's operations on 1952-1954 Ford Motor Co. cars.

A. There is no issue as to the validity of the patent in suit. The patent has been held valid throughout this litigation; and when the case earlier came to this Court, the Court noted (365 U.S. at 338) that "Validity of the patent is not challenged in this Court".

B. The issue of infringement treated by the Court of Appeals decision below was limited to Aro's acts on unlicensed Ford cars. Aro asserts that it is the largest maker of convertible tops in the world; and, at the time of original trial, Aro manufactured some one hundred forty different top models. The issue now before the Court concerns only two of these one hundred forty models, specially designed by Aro for installation on unlicensed 1952-1954 Ford Motor Co. cars, and fitting no other cars.

C. Aro promoted the sale and induced installation of their special Mackie-Duluk type Ford fabrics by advertising, by demonstration clinics, and by instructions; and installed said special fabrics on infringing Ford cars in Aro's own trim shop.

D. Aro's counsel originally considered that Aro did infringe the Mackie-Duluk patent by their acts of unlicensed sale and installation, and sought a license under the patent. Aro aborted the license negotiations, however, when a later re-

design of their replacement tops was alleged, by Aro's counsel, to avoid the Mackie-Duluk claims.

III. The parties and Courts have, throughout this litigation, recognized a basic distinction between Aro's acts with respect to licensed G.M. cars, and Aro's acts with respect to unlicensed infringing Ford Motor Co. cars.

A. When this case was first tried, the Trial Court expressly ruled, on two separate occasions, that since Ford Motor Co. cars were unlicensed, Aro was, under settled law, a direct infringer if Aro even repaired such cars.

B. When this case was first appealed by Aro, Aro urged that the trial court had erred only insofar as Aro's activities were held to constitute a reconstruction of the patented combination on licensed G.M. cars. The separate question of Ford car infringement was not stressed.

C. The Court of Appeals' latest decision notes that its earlier decision was intended to apply only to the question of reconstruction on licensed G.M. cars, since this was the only question which was then stressed by Aro.

D. After the first Court of Appeals' decision, the Justice Department, appearing before this Court as *amicus*, urged reversal. Justice made it clear, however, that the only question which it deemed to be of public interest involved top replacement on licensed G.M. cars; and Justice did not urge that Aro should be absolved for its repair and replacement activities on unlicensed infringing Ford cars.

E. In reversing the Court of Appeals' earlier decision, this Court's majority opinion spoke of licensed structures throughout. The majority opinion further held that the law of direct infringement was "left intact", 365 U.S. at 342; (and, as will appear, repairs to unlicensed structures are such direct infringements). Mr. Justice Brennan's concurring opinion expressly stated that Aro should be liable as to unlicensed Ford cars, 365 U.S. at 368. An analysis of this Court's earlier *Aro* holding will be given, to demonstrate that the licensed-unlicensed distinction made by the Court of Appeals below was a proper distinction.

IV. When the Court of Appeals below held that Aro was a direct infringer in repairing unlicensed Ford cars, and was a contributory infringer in selling tops meeting 35 U.S.C. 271(c) to infringing users of such unlicensed Ford cars, the Court of Appeals followed long-established precedent.

A. There is a fundamental difference between repairs to licensed and repairs to unlicensed structures. The question of repair is actually a question of implied license. When a patented structure is sold under original license from the patentee, the law presumes that the purchaser is given an implied license to keep his purchase in repair. This was the essence of *Wilson* v. *Simpson,* 9 How. 109, relied upon by this Court as the basis for its earlier *Aro* decision.

B. Since the question of repair is one of implied license, a patentee who has given no express license to use his structure obviously cannot be

said to have given an implied license to even repair that structure. This distinction was well stated by Mr. Justice Brandeis in *Union Tool Company* v. *Wilson,* 259 U.S. 107. The *Union Tool* decision sets forth a principle of direct infringement which was "left intact" when Congress enacted 35 U.S.C. 271(a), and fully supports the latest Court of Appeals decision below.

C. The liability, as a direct infringer, of one repairing an unlicensed structure has also been stated in decisions of the First through the Tenth Circuits inclusive, as well as by the leading text authorities in the field of patent law. Insofar as can be determined, there has never been any decision or textual statement to the contrary. Thus, when Aro argues that it should be entitled to freely repair and to contribute to the repair of infringing unlicensed structures, Aro urges a position diametrically opposed to every precedent.

D. The Court of Appeals noted that it is now an "established fact" (R. 80) that Ford cars were never licensed; and the record further shows that Respondent has never been compensated by Ford or by anyone else for Aro's infringing activities in respect to unlicensed Ford cars. The Court of Appeals' decision below did nothing more than state that Aro should now finally make such compensation.

V. The decision below should be affirmed since it is clearly consistent with the intent of Congress and since, moreover, it is in the public interest.

A. The arguments which Aro now makes to this Court are precisely similar to those made to Con-

gress during the hearings preceding enactment of 35 U.S.C. § 271. Other manufacturers of replacement parts then protested the intended Congressional enactment; and such replacement parts manufacturers were indeed "the most vociferous objectors" to the proposed legislation. In enacting 35 U.S.C. 271(c), Congress expressly rejected such protests and thereby indicated its intent to make persons such as Aro liable when they acted, as in the instant case, to perpetuate infringements by the sale of certain special "unpatented" components.

B. The policy embodied in 35 U.S.C. 271(c) is strongly in the public interest. When an unlicensed manufacturer, such as Ford, foists an infringing structure on the consuming public, public policy requires that the infringement cease as soon as possible. Aro's attempts to perpetuate these infringements is thus contrary to the public interest. This situation was recognized by the Justice Department at the time of the earlier *Aro* hearing; and is implicit in Justice's refusal to support Aro's present position in this matter.

VI. Aro's arguments of alleged antitrust violation find no support in the pleadings, in the law, or in the facts of this case.

A. While Aro argues that it should receive some sort of antitrust award, Aro never pleaded any antitrust cause of action, and never sought any treble damages recovery under the antitrust laws. Aro's antitrust arguments thus represent no more than an afterthought, injected into the case years after the case had been tried.

B. Insofar as Aro contends that there is some sort of *Mercoid* type violation here, the facts in this case clearly distinguish it from *Mercoid*. Respondent's activities have always constituted nothing more than a legitimate effort to license Aro under the patent, and to enforce its patent rights when Aro refused such a license. Respondent has never sold any goods; has never tried to monopolize the sale of any unpatented goods or to "tie" such goods to a patent license; and has taken no action which could possibly be deemed a patent misuse or antitrust violation under any prior decision of this or any other court.

C. Respondent's conduct in the instant case, far from being a misuse or antitrust violation, is fully sanctioned by 35 U.S.C. 271(d). This statutory sanction, and the controlling factual distinctions between this case and *Mercoid,* were expressly noted when this Court earlier decided *Aro.*

VII. Aro's clear purpose in seeking an antitrust award in the instant case is to deny patentees free access to the Courts, by making patent litigation a dangerous gamble insofar as patentees are concerned. Prior decisions of this and other Courts reject arguments of the type advanced by Aro, as contrary to the public interest. The denial of Aro's allegations by the Court of Appeals below, and by this Court in its earlier *Aro* decision, thus represents a statement of proper public policy which should not be disturbed.

ARGUMENT

The Mackie-Duluk Invention Was a Revolutionary Solution to Long Standing Problems in the Prior Art

Since the instant litigation has been in progress for eight years, the pioneer nature of the Mackie-Duluk automobile convertible top invention has become somewhat subordinated to various legal questions. The real importance of Mackie-Duluk's teaching may, moreover, tend to be forgotten since the invention in its original form was last used on new automobiles nine years ago.

For some fifty years prior to Mackie-Duluk, a number of major problems plagued convertible top structures (I:35)[1]. Prior convertible tops had comprised fabric material which was fastened to various pillars, bows, and linkages, as well as to the rear of the car body. However, to permit proper folding of the prior tops, and to avoid ripping of the top fabric, it was always considered necessary to leave the top fabric loose at the rear quarter areas of the car (the regions immediately to the rear of the side windows) for later closure by means of exterior, manually-engageable fasteners (e.g., snaps). Such tops could never be made fully automatic, since someone always had to leave the car to complete the top fastening, e.g., by manually depressing the snaps. The prior tops, moreover, shrank away from the snap fasteners due to exposure to the elements; and, as a result did not fit properly after a period of time. The appearance of the car accordingly deteriorated; and, in addition,

[1] For consistency, Respondent will employ the same form of record citation adopted by Petitioner; see f.n. 1 of Petitioner's Brief, No. 75, Oct. T. 1963.

after a time the tops could no longer be fastened even manually, whereby wind and water readily entered the car at its rear quarters. Unauthorized access to the car interior was also easy since the top structures were loose in the rear quarter region (I:35).

These difficulties were of long standing nature and, prior to Mackie-Duluk, the automobile industry "had been working for years on the problem" (I:371). However, even though "the very best engineers * * * in the body engineering department [worked] on convertible tops" (I: 381), no solution was forthcoming. When Mackie-Duluk was finally shown to the automotive industry, it was immediately recognized as the first "real solution" (I: 394). As found by the Trial Court, "Mackie-Duluk solved all [the prior] difficulties" (I: 34); and "Mackie-Duluk was a substantial and enlightened step, filling a long-felt want" (I: 34). The Mackie-Duluk invention appeared as original equipment on 1950-1954 General Motors convertibles, and on 1952-1954 Ford Motor Co. convertibles (I:33), but has since been replaced by further improvements (I: 35).

Mackie-Duluk's Fundamental Concept Lay in a New Shape and Arrangement of Fabric

Mackie-Duluk discarded the prior exterior manual-snap arrangement, and provided a new form of top characterized by certain elongated flaps of material extending *inside* the car, and *permanently* attached within the car, at its rear quarters, adjacent the axis of rotation of the folding bows. (I: 36). By this unique arrangement, the top could now be raised and lowered without ripping, even though it was permanently fastened at the rear quarter and the other

problems were also solved for the first time. Every witness agreed that the unique Mackie-Duluk fabric shape, and the permanent rear quarter attachment afforded thereby, was of primary importance in Mackie-Duluk's solution. Petitioner Harold Shapiro testified (I: 85):

> "Q. Am I correct in stating that one of the important improvements in folding tops of the type used on the 1952, 1953 and 1954 Fords, by way of example, is the fact that fabric comes down into the car and is fastened on the inside of the car so no water can get on the interior of the car itself and any water which does seep down past the fabric goes into the trough?
>
> "A. That is correct.
>
> "Q. Does the idea of having a *section of the fabric coming down inside the car and actually fastening* on part of the car, for instance, adjacent to the trough, *is that the important thing?*
>
> "A. That is correct."

The witness Booth, on cross-examination by Aro's counsel, testified to similar effect (I: 171-2), as did Petitioner George Shapiro (I: 49), and Aro's expert witness Brosens (I: 323). Mackie-Duluk's new shape of fabric, and its unique permanent rear quarter attachment, was "the fundamental concept", the "real crux of the whole thing", and a "revolutionary idea". Thus, the witness Pickard, a trim engineer of 50 years experience, and the retired chief trim engineer of the Ford Motor Company (I: 181-2), testified (I: 398-9):

> "XQ. [By Mr. Wolf, Aro's counsel] * * * *Will you agree* that *the fundamental concept* * * * was the attachment of the fabric below the body line a sufficient distance to permit raising and lowering the top; is that right?

"A. Yes. * * * That was *the real crux* of the whole thing. That was *the revolutionary idea.*" (Emphasis added.)

The Issue Before This Court Is One of Patent Infringement, Involving Only Two of Aro's More Than One Hundred Forty Top Models

There is no issue as to the validity of the Mackie-Duluk patent in suit, No. 2,569,724. The patent, embodying the "revolutionary idea" discussed above, was found valid by the first trial court (I: 34, 38), and then by the Court of Appeals (III: 648). When the case came before this Court, Aro conceded validity; see *Aro,* 365 U.S. at p. 338: "Validity of the patent is not challenged in this Court." The sole issue now before the Court is, therefore, one of infringement; and even here the question is highly limited, as will appear.

Petitioners, collectively called "Aro", comprise a corporate manufacturer, Aro Manufacturing Company, and a plurality of individuals forming a sales organization, Aro Top Sales Company. Aro states that it is the largest maker of replacement convertible tops in the world (II: 470). Although it now manufactures and sells an even greater number of top styles, Aro, at the time of the original trial, manufactured approximately 140 different replacement top fabrics designed for installation on automobiles of various different models and years (I: 45-6, 116). Of these 140 fabric models, only seven fabrics were involved in this case when it was first tried (I: 117); and only two fabrics, Aro's models 134 and 509 for 1952-4 Ford Motor Co. cars, are involved in the aspect of the case now before this Court. All of these seven fabrics were prepared from Aro's own special patterns, for installation as replacements of original fabrics on cer-

tain specific cars; and did not fit any makes or models of cars other than those for which they were specially designed by Aro (I: 117).

Aro's special tops, including the two models now in issue, embodied the unique Mackie-Duluk rear quarter shape and fastening, but otherwise differed in style, construction and method of installation from the original fabrics (III: 624, 626, 628-33, 640-1). Aro promoted the sale, and induced installation of their special Mackie-Duluk type fabrics by advertising (II: 463 et seq.), by demonstration clinics (I: 109), and by instructions (I: 259-60). In addition, Aro maintained a "trim shop" wherein they actually installed their special fabrics on the cars here in question (I: 33, 107-8, 134).

When charged with infringement and contributory infringement by reason of these various activities, Aro solicited advice from their present counsel, who in turn advised that Aro *was* infringing the Mackie-Duluk patent (I: 224). Aro, through its counsel, then sought a license under the patent; and Aro's counsel made it clear (in marked contrast to Aro's present misuse contentions) that Aro insisted on other infringers being "vigorously prosecuted for infringement unless they also became licensees on the same basis" (II: 474). Before license negotiations were completed, however, Aro, guided by their attorney, made certain structural changes in their tops in an attempt to avoid the Mackie-Duluk claims (I: 39, f.n. 9); and then, for that reason alone, aborted the license negotiations (II: 475). The instant litigation followed.

The History of This Litigation Emphasizes That Aro's Activities With Respect to Ford Cars Raise Questions Different From Those Raised By Their Activities With Respect to General Motors Cars

The case was tried in 1958. Respondent urged that, although certain General Motors cars had been originally licensed under the Mackie-Duluk patent, Aro's activities in replacing tops on those cars constituted a "reconstruction" of the Mackie-Duluk invention, thereby rendering Aro liable as a direct and contributory infringer.[2] As to Ford cars, however, Respondent urged that, since Ford cars had never been licensed under Mackie-Duluk, the question of "reconstruction" was of no importance; and it was urged that Aro infringed even if it merely repaired such infringing cars.

Before trial, Aro moved for summary judgment, urging that it could not be an infringer since it merely repaired the patented combinations, but did not "reconstruct" them (I: 24-5). The trial court, in 1957, (I: 26-28) denied Aro's motion since there were facts in issue; but went on to hold that the "doctrine of repair" could "never help" Aro as to Ford cars, since Ford cars were not licensed (I: 28). The legal difference between Ford and General Motors cars was thus established early in the case.

The litigation proceeded. After trial, the Court rendered a full opinion (I: 33-41) finding the Mackie-Duluk patent valid and infringed. The trial court, in

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[2] The facts upon which the trial Court and Court of Appeals based their earlier holding that there *was* reconstruction of G.M. cars, are summarized in No. 21, Oct. T. 1960, Brief for the Respondent, pp. 28-41. Prior cases, dealing with the factual question of reconstruction, are set forth in Mr. Justice Brennan's opinion in *Aro*, 365 U.S. at 362 et seq., footnotes 1-9 inclusive.

ruling on infringement, again stated the "two aspects" of Aro's infringement (I: 38); held that Aro infringed insofar as unlicensed Ford cars were concerned since, at the very least, Aro made prohibited repairs to such unlicensed cars; and also held, as to licensed G.M. cars, that Aro had reconstructed the patented combination in those cars.

Aro appealed on the narrow ground that its activities did not constitute reconstruction of the patented structure in licensed G.M. cars; i.e. as noted in the Court of Appeals' latest decision (R. 81):

> "The basic question argued before us by the appellants [dealt with repair or reconstruction] * * * upon the answer to which the issue of contributory infringement with respect to *licensed General Motors cars* depended". (Emphasis added)

At the time of this first appeal, Aro accepted, however, that it was liable for at least repairing unlicensed Ford cars, i.e., as also noted in the Court of Appeals' latest decision (R. 81):

> "We did not specifically consider infringement with respect to unlicensed Ford Motor Co. cars for that question was not greatly stressed and we were clearly convinced from the evidence that the court below was clearly correct * * *"

The Court of Appeals affirmed the District Court by decision rendered in 1959 (III: 647-655). Certiorari was granted (III: 656). The Department of Justice appeared as *amicus,* and urged reversal as to originally licensed General Motors cars since, said Justice (Brief of U.S. as Amicus Curiae, No. 21, Oct. T. 1960, pp. 2-3):

> "When a patented machine *is sold by the patentee or his licensee,* the purchaser is granted an

> *implied license* of free use. The patentee receives the lawful reward for his patent monopoly from the profit opportunity afforded to him as sole maker and seller or from the royalties payable to him by those granted *licenses* to manufacture and sell." (Emphasis added)

In so urging reversal as to *licensed* structures, however, the Department of Justice again noted the legal distinction between G.M. and Ford cars; emphasized that its views

> "had reference to replacement of the fabric portion of convertible tops *which had been installed pursuant to a license* from the patentee"

and stated that it

> "took no position respecting infringement if there was replacement of the fabric portion of convertible tops *which had not been manufactured or installed under license* from the patentee".

(See Department of Justice letter, dated May 3, 1960, facing page 76 of Brief for the Respondent, No. 21, Oct. T. 1961)

This Court thereafter reversed the Court of Appeals (365 U.S. 336). The majority opinion, although speaking throughout of licensed structures,[3] did not

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[3] The majority opinion, footnote 9 (365 U.S. at p. 343), notes that prior cases held that a "*licensee* of a patented machine or combination" may replace an unpatented element under certain circumstances; and distinguishes *Cotton Tie* v. *Simmons*, 106 U.S. 89, since the articles there replaced were "Licensed to use once only". The majority further states (p. 344) that respondent's contentions would require "a new license", and "another" royalty to be paid; and summarizes this Court's prior decisions by stating (p. 345) that "*a license to use a patented combination* includes the right 'to preserve its fitness for use * * *' (citing cases)." [Emphasis added.]

make any direct reference to either Ford or General Motors cars.[4] An express distinction between licensed G.M. cars and unlicensed Ford cars did, however, appear in Mr. Justice Brennan's concurring opinion (365 U.S. at 368):

> "I therefore, think that the judgment of the Court of Appeals must be reversed, *except, however*, as to the relief granted respondent in respect of the replacements made on *Ford cars* before July 21, 1955". (Emphasis added)

Upon remand, a new Trial Judge ruled in Aro's favor not only as to licensed G.M. cars, but also as to unlicensed infringing Ford cars. A second appeal was accordingly taken by Respondent to the Court of Appeals urging that, since Ford cars were never licensed, acts of even repair thereto constituted acts of direct infringement under established law; and that since this Court's earlier *Aro* decision had expressly noted that the law of direct infringment, codified in 35 U.S.C. 271(a), was "left intact" (365 U.S. at p. 342), Aro was liable at least for repairing, and contributing to the prohibited repair, of such infringing Ford cars.

The Court of Appeals, in a second decision rendered in 1962 (R. 78-88) agreed. In distinguishing between repairs to licensed and unlicensed structures, the Court of Appeals construed this Court's earlier decision as recognizing a like "licensed—unlicensed distinction" (see R. 86, f.n. 7). It is submitted that the history of this case, and the direct infringement law "left intact" (to be discussed hereinafter), clearly requires and warrants that distinction.

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[4] Respondent moved for clarification of the Court's Opinion in this respect; but said motion was denied, 365 U.S. 890.

The Holding Below Is Consistent With This Court's Decision, and With Long Established Precedent

As discussed in the preceding section, it has been recognized throughout this litigation that there were "two aspects" to Aro's infringement (I: 38). A first aspect involved Aro's liability for replacing tops on licensed G.M. cars. A second, different, aspect involved Aro's liability for repairing infringing *unlicensed* Ford cars.

Let us initially consider General Motors cars, the "first aspect" of infringement. As to these, the Courts and parties have uniformly sought to determine whether Aro's acts of top replacement amounted to a "reconstruction" of the patented combination, or were merely a "repair" thereof. This particular inquiry has been required since G.M. cars were originally licensed under the patent in suit; and, under our patent law, when anyone buys a patented article from a patentee, or is otherwise given an express license by a patentee to use his patented structure, the express license so granted is presumed to include an implied license to repair the structure, thereby to preserve the structure's fitness for use.

However, in making repairs under such an implied license, the user must stop short of "reconstructing" the patented structure; for such reconstruction amounts to the making of a new article, beyond the scope of the implied license; *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 325.

The foregoing principles, applicable to licensed General Motors cars, are the basis of this Court's earlier *Aro* decision, 365 U.S. 336. Thus, this Court stated that the "determinative question [was] * * * whether

such a [convertible top] replacement by the car owner is infringing 'reconstruction' or permissible 'repair' " (365 U.S. at 342); cited *Wilson* v. *Simpson*, 9 How. 109, 13 L. Ed. 66 as "the leading case in this Court that deals with the distinction" (*Aro*, p. 342), and as the "authoritative expression on the subject" (*Aro*, p. 343, f.n. 9); stated that the "distilled essence" of *Wilson*, and its "plain and practical test", was that "The [patent] monopolist cannot prevent those *to whom he sells* from * * * reconditioning articles worn by use, unles they in fact make a new article" (*Aro* p. 343; emphasis added); and cited other cases confirming that *"a license to use a patented combination* includes the right to preserve its fitness for use * * *" (*Aro*, p. 345; emphasis added.). Applying these principles, this Court ruled that "the replacement of the fabric involved in this case must be characterized as permissible 'repair', not 'reconstruction' " (*Aro*, p. 346).

The second aspect of infringement, now before this Court, is quite different. It has also been well settled that when a structure covered by a patent is manufactured and/or sold *without* license of the patentee, e.g. by an infringer such as the Ford Motor Co., one using that article, even an innocent purchaser thereof, is equally an infringer. This established principle of direct infringment was codified in 1952, in Title 35, United States Code, § 271(a):

> "Whoever *without authority* makes, *uses* or sells any patented invention * * * infringes the patent". (Emphasis added)

Moreover, the law recognizes that a patentee who has given no express license to use his structure, obviously

cannot be said to have given an implied license to even repair that structure. And since repairs to an infringing structure perpetuate the infringement in continued derogation of a patentee's rights, it has long and uniformly been held that even "repairs" to an unlicensed, infringing structure are themselves acts of direct infringment.

This important distinction between permissible repairs to a licensed structure, and *prohibited* repairs to an unlicensed structure, has been stated by this Court in *Union Tool Company* v. *Wilson*, 259 U.S. 107, 113-114, (Brandeis, J.):

> "On the merits the contention is this: * * * spare parts are needed *for repairs*. Those here in question were sold for use in, and *repair of*, machines marketed by the company before the service of the injunction. Therefore, it is argued, the sale of these parts is licensed and thus not a violation of the injunction. But to this argument which prevailed in the District Court, there are several answers; and, among them, this. It does not appear that Wilson has received any compensation whatever for the infringement by use of these machines. Compare Birdsell v. Shaliol, 112 U.S. 485, 487-489, 28 L. Ed. 768. *There was, consequently, no implied license to use the spare parts in these machines.* As *such use, unless licensed*, clearly constituted *an infringement*, the sale of the spare parts to be so used violated the injunction." (Emphasis added.)

See also, *United States* v. *Univis Lens Co.*, 316 U.S. 241, at p. 249.

This same distinction between permissible repairs to licensed structures and *prohibited* repairs to *unlicensed* structures, has been expressed not only by the

First Circuit in the instant case, but also by the Second Circuit,[5] by the Third Circuit,[6] by the Fourth Circuit,[7] by the Fifth Circuit,[8] by the Sixth Circuit,[9] by the Seventh Circuit,[10] by the Eighth Circuit,[11] by the Ninth Circuit,[12] by the Tenth Circuit,[13] and by leading text authorities.[14] Indeed, insofar as can be determined, there has never been *any* case holding to the contrary, in this Court or any other Court, nor has any text authority ever taken a contrary view.

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[5] Electric Auto Lite Co. v. P. & D. Mfg. Co., 109 F. 2d 566, 567 (CA-2, 1940); Ferguson v. Ford Motor Co., 77 F. Supp. 425, 435 (D.C. S.D., N.Y., 1948).

[6] Union Special Machine Co. v. Maimin, 161 Fed. 748, 750 (C.C. Pa., 1908), affirmed 165 Fed. 440 (CA-3); National Malleable Casting Co. v. American Steel Foundries, 182 F. 626, 641 (CC-NJ, 1910).

[7] Remington Rand Business Service, Inc. v. Acme Card System Co., 71 F. 2d 628, 630 (CA-4, 1934).

[8] Reed Roller Bit Co. et al. v. Hughes Tool Co., 12 F. 2d 207, 211 (CA-5, 1926).

[9] Thomson-Houston Electric Co. v. Ohio Brass Co., 80 Fed. 712, 722-723 (CA-6, 1897, Taft, J.).

[10] National Brake and Electric Co. v. Christensen, et al., 38 F. 2d 721, 723 (CA-7, 1930).

[11] Shickle, Harrison & Howard Iron Co. v. St. Louis Car-Coupler Co., 77 F. 739, 743 (CA-8, 1896).

[12] Wilson v. Union Tool Co., 265 F. 669, 672-3 (CA-9; 1920), aff. 259 U.S. 107.

[13] Ruth v. Stearns-Roger Mfg. Co., 13 F. Supp. 697, 712-13 (D. Colo. 1935); Williams v. Hughes Tool Co., 186 F. 2d 278, 284-5 (CA-10, 1950), cert. den. 341 U.S. 903.

[14] See Deller's Ed. of Walker on Patents, Sec. 379, at pages 1486-87; and see 69 Corpus Juris Secundum, § 287: "• • • a person is an infringer where he *repairs* an *infringing* article, machine, or device."

This "second aspect" of Aro's infringement characterizes, of course, the situation with respect to Ford cars. That Ford cars never were licensed under the patent is now an "established fact" (R. 80).[15] Moreover, the record shows that the patentee has never been compensated for Aro's infringement; and was expressly refused such compensation by Ford, who stated that "they weren't interested in buying any sort of a release or license or anything else that would help out these replacement top people" (R. 93).[16] Every one of the Ford cars here involved was a directly infringing combination of structure when Ford made and sold it; and when a car owner used it. And they were directly infringing structures when Aro repaired them, and contributed to their infringing repair, in derogation of the patentee's rights and without any direct or indirect compensation to the pat-

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[15] Ford settled for its own past infringement by an agreement dated July 21, 1955, and effective December 31, 1955 (II: 510). This agreement nowhere licenses the infringing cars. As of July 21, 1955, Ford had already completed its manufacture of all the cars here involved; these cars were all on the streets; every such car was already an infringement of Mackie-Duluk; and Aro had already been engaging in its Ford infringement for more than one and one-half years after notice of infringement. *Whatever Aro may now argue as to the effect of the Ford agreement can have no bearing on Aro's activities prior to July 21, 1955, for the agreement was not then even in existence.* In any event, the Ford agreement expressly excluded persons such as Aro (see paragraph 5, II: 512).

[16] If the Ford agreement had never been made at all, it is clear that it would have been proper to require that Aro pay royalties, insofar as infringing Ford cars are concerned, even up to the present time. This being the case, it is clear that it was proper for the agreement to expressly recognize and to expressly exclude Aro's liability from its terms. Since Ford refused to purchase any rights for Aro, either before or after July 21, 1955, Aro is liable for its Ford repair activities both before and after that date.

entee.[17] The law of direct infringement, which this Court noted was "left intact" by 35 U.S.C. § 271(a), requires that Aro now, and finally, compensate the patentee for Aro's prohibited repairs to these unlicensed Ford cars.

The Court of Appeals Heeded This Court's Mandate in Awarding Recovery for Unlicensed Ford Cars

In distinguishing between licensed G.M. and unlicensed Ford cars, the Court of Appeals heeded a distinction apparent in this Court's earlier *Aro* decision (see the Court of Appeals' opinion at R. 86, f.n. 7). By reason of this distinction, Aro was clearly liable for its own acts of direct infringement, e.g., Aro's own unauthorized repairs to unlicensed Ford cars in Aro's own trim shop (I: 107-8, 134). Aro nowhere questions its liability for such acts of direct infringement, even now.

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[17] When Ford settled for its own past infringement in 1955, Ford did not compensate the patentee for Aro's separate acts of direct and contributory infringement, either expressly (R. 92-3), or by implication, see *Union Tool Co.* v. *Wilson, supra*, 259 U.S. at p. 114. And see *Birdsell* v. *Shaliol*, 112 U.S. 485, 5 S. Ct. 244, 245:

> "No more does one, who pays damages for selling a machine in infringement of a patent, acquire for himself or his vendee any right to use that machine. (p. 245) • • • So long as the article is used, there is continuing damage" (p. 246).

This same rule is implicit in 35 U.S.C. § 284, which awards damages on the basis of "*the use* made of the invention by the infringer". Mr. Justice Black has also noted that a car owner did not acquire unlimited rights simply because he paid for his car (See *Aro*, at p. 357):

> "An accident might wholly destroy the entire top and then it might be replaced by a new one, which *if done without the patentee's consent would of course be an infringement*". (Emphasis added.)

In addition to this direct infringement, Aro "custom tailored" special tops designed to fit only unlicensed Ford cars and fitting no other cars (I: 117), and sold them for use use by other direct infringers in making similar infringing repairs to unlicensed Ford cars. Aro's sole concern at the present time appears to involve its liability for contributory infringement, arising from such sales.

As to these, however, the part so sold by Aro was "a component of a patented machine" meeting all the tests of 35 U.S.C. § 271(c) [see *Aro*, 365 U.S. at 341, f.n. 6]. Accordingly, Aro was clearly liable as a contributory infringer when it sold its specially designed Ford tops (see *Aro*, 365 U.S. at 341):

> "It is admitted that petitioners know that purchasers intend to use the fabric for replacement purposes on automobile convertible tops which are covered by the claims of respondent's combination patent, *and such manufacture and sale with that knowledge might well constitute contributory infringement under § 271(c), * * * if such a replacement by the purchaser himself would in itself constitute a direct infringement under § 271(a) * * *"* (Emphasis added.)

The above quoted portion of this Court's earlier *Aro* opinion is, indeed, the very rationale of the latest Court of Appeals' decision below (R. 85-6):

> "* * * not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use. Therefore, *a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top, for by the purchase of his car he obtained no*

> *license to use the patented structure, even less to repair it.* And one who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops *for unlicensed Ford cars*) and not, as the District Court originally found and this Court agreed, a staple article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) * * *" (Emphasis added.)

A comparison of the two foregoing quotations demonstrates that the Court of Appeals correctly interpreted, and applied, both the letter and the spirit of this Court's earlier *Aro* decision.

The Decision Below is in the Public Interest, and in Accordance With the Intent of Congress

It is apparently Aro's position that, since the tops it sells are only part of the infringing Ford combination, Aro should not be bothered by any considerations of the patent law. In so contending, Aro repeats arguments made to Congress by other replacement part manufacturers, prior to enactment of 35 U.S.C. § 271(c) and (d); see excerpts from the Hearings reproduced in *Aro*, 365 U.S. at p. 378, f.n. 7, noting that Congress, during consideration of the bill, "received protests from manufacturers of replacement parts for such things as automobiles"; and that replacement part manufacturers, like Aro, were "the most vociferous objectors".

In passing 35 U.S.C. § 271(c) and (d), Congress fully considered, and expressly rejected, arguments of the very type now made by Aro. And, in rejecting these contentions, Congress reaffirmed that the protection afforded by 35 U.S.C. § 271(c) was "an expression both of law and morals" (see *Aro*, p. 365, f.n. 9).

Aro's argument, corresponding to that rejected by Congress, is that Aro's tops are "unpatented", i.e., that all of the Mackie-Duluk claims are directed to combinations of structure, whereas Aro sells only one component of that combination. The statute, 35 U.S.C. § 271(c), is, and was, however, concerned with precisely this situation; see Federico, "Commentary on the New Patent Act", 35 U.S.C.A. page 53, preceding § 1:

> "The thing sold is presumably *not itself patented* since if it were patented the question of contributory infringement, as distinguished from direct infringement, would scarcely arise and the paragraph [271(c)] would have little or no apparent purposes". (Emphasis added.)

It was the clear intent of Congress to restrain sale of "a *component* of a patented * * * *combination*" when that "component" met certain factual criteria set forth in Section 271(c). The special Ford tops sold by Aro clearly met these criteria (e.g., see R. 86).

Nor was there anything improper in the protection thus afforded by Congress, against profiteers such as Aro who would perpetuate infringements by dealing in certain special types of "unpatented" components. Under Article 1, § 8 of the Constitution, it was up to Congress to provide patent protection as Congress saw fit. There is no Constitutional requirement that "combination claims" be used to protect only a combi-

nation, as distinguished from a component of the combination; nor, indeed, any requirement that claims be used, at all, to measure patent protection. The form of protection afforded by § 271(c) was thus well within the Constitutional power of Congress to provide. And the propriety of the protection thus given is demonstrated by the fact that this Court provided similar protection judicially more than forty years ago, by restraining sale of a certain "unpatented" part of a patent combination; *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 325. See also The Report of the Attorney General's National Committee To Study The Antitrust Laws, 1955, page 252, approving the protection of such "unpatented" components:

> "In many instances the *unpatented element* involved in the contributory infringement suit is the heart of the patented combination and has no other substantial use, so that *relief for contributory infringement is in economic effect equivalent to relief for direct infringement.* To render the patentee powerless to sue for contributory infringement in such instances may thus denude him of his patent rights.
>
> * * * * *
>
> "The Congressional response to the *Mercoid* decisions is found in Section 271 of the 1952 Patent Code. The Committee approves these provisions * * *"

When this case first came before this Court (No. 21, Oct. T. 1960), the Justice Department urged, as *amicus*, that it was in the public interest for persons to be permitted to replace parts freely on originally licensed combinations. The Department of Justice did not then urge, however, that there was any public interest in permitting infringers to perpetuate their infringe-

ments, or in permitting replacement part manufacturers such as Aro to profit from unauthorized repairs to unlicensed structures. Nor does Justice take any such position now. To the contrary, the Justice Department has refused to take an *amicus* position in the present phase of this case (see the letter of May 15, 1963 from the Solicitor General, at appendix p. 43 of this brief), since:

> "The present phase of the litigation appears only to involve the application of principles already declared to a particular factual situation; it would not seem to have great moment from the standpoint of any governmental policy."

The power of Congress to legislate upon the subject of patents is plenary; *McClurg* v. *Kingsland,* 1 How. 202, 206; *United States* v. *Dubilier Condenser Corp.,* 289 U.S. 178, 189. Congress, in enacting 35 U.S.C. § 271(c), has properly so legislated; and has acted after rejecting arguments precisely similar to those now advanced by Aro. The decision below is in full accord with the public interest implicit in that legislative enactment.

Aro's Antitrust Arguments are Totally Unfounded

Much of Aro's brief is devoted to the erroneous proposition that, by reason of the instant litigation, Aro should receive some sort of antitrust award. The Court of Appeals forcibly rejected this contention, holding (R. 88):

> "There is no merit whatever in this appeal."

Aro never pleaded any antitrust statute alleged to have been violated, nor any acts comprising an alleged antitrust cause of action; nor, indeed, did Aro ever plead that it had been damaged by any such alleged

antitrust case of action, or that it was entitled to a monetary award under the antitrust laws.

This is not a case where a supposed antitrust violation was "insufficiently" or "defectively" pleaded; it is a case in which it was *not pleaded at all.* This total lack of a proper pleading formed the basis of the decision below, and rightly so (R. 87-88). There must be an end to litigation sometime; and it is hardly in the interests of justice to permit Aro to prolong this suit and force it into new unpleaded avenues, on the basis of an afterthought, eight years late.

At most, Aro filed a counterclaim (I:11) in 1956 under the Declaratory Judgements Act, asking that the Court "find and enter a decree herein holding that [the patent in suit] has been misused" (R. 67). The trial court refused to so decree, stating (I:33):

> "Finally, they [Aro] claim misuse of the patent, a defense I find *clearly not made out*". (Emphasis added.)

Aro then dropped the matter on appeal, i.e., as the Court of Appeals found, "Patent misuse as a defense was clearly abandoned" (R. 87). Mr. Justice Brennan has noted the same thing; see *Aro,* 365 U.S. at p. 377, f.n. 5.

This express ruling against Aro, and Aro's subsequent abandonment of the defense, were clearly warranted by the factual and legal circumstances here involved. Respondent has never manufactured or sold any goods. At no time did it ever seek to require, as a condition for the license, that any unpatented article, or indeed any article whatsoever, be purchased from Respondent or from anyone else. Respondent never used, or attempted to use, the patent to secure for itself any competitive advantage in the sale of

goods; never refused to give Aro, or anyone else, a license; never tried to place any one licensee in a more favored position than another; and never diverted any top sales to or away from Aro, or to or away from any one else.

Respondent merely sought to license Aro under the patent, and, when the attempt proved unsuccessful, sought to enforce its patent judicially. Such conduct has been specifically sanctioned by congress; see 35 U.S.C. § 271(d):

> "(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief *or deemed guilty of misuse or illegal extension of the patent right* by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement." (Emphasis added)

Aro ignores the provisions of § 271(d), and argues this Court's earlier *Mercoid* cases (320 U.S. 661, 680) as alleged basis for the relief Aro seeks. However, even if we disregard the fact that Congress intended § 271(d) to avoid the *Mercoid* interpretation now sought by Aro (cf. *Aro*, 365 U.S. at p. 348, f.n. 3; p. 349, f.n. 4; and p. 365, f.n. 9), it is clear that Respondent's conduct at no time contravened *Mercoid*. In *Mercoid*, this Court held it improper for a patentee to use the patent "as the effective means of restraining competition with *its* sale of an unpatented article", 320 U.S. 661 at 665. Mr. Justice Frankfurter sum-

marized the *Mercoid* holding as follows (320 U.S. at 676):

> "The Court holds in effect that the owner of a patent who exacts, as the condition of a license, that unpatented materials used in connection with the invention *shall be purchased only from the licensor* cannot obtain relief from equity against one who supplies such unpatented materials * * *. In this view I concur". (Emphasis added.)

In the instant case, Mr. Justice Brennan noted the same thing; see *Aro*, 365 U.S. at 377:

> "What was said in Mercoid about contributory infringement must be read in the context of Mercoid's claim, found to have been established, that Mid-Continent had misused its combination patent by attempting in effect to wield it as a weapon to *monopolize* the sale of an unpatented element, a claim which is not here made."

Moreover, in *Automatic Radio Mfg. Co., Inc.* v. *Hazeltine Research, Inc.*, 339 U.S. 827, 931, this Court held that in a factual situation of the type involved in the instant case, *Mercoid* would not be controlling:

> "Petitioner apparently concedes that these cases do not, on their facts, control the instant situation. It is obvious that they do not. *There is present here no requirement for the purchase of any goods. Hazeltine does not even manufacture or sell goods* * * *." (Emphasis added.)

In these circumstances, it is submitted that the antitrust relief sought by Aro is not supported by the facts in this case, or by prior case law; and that it is, indeed, contrary to the intent of Congress as expressed in § 271(d). The Court of Appeals below was thus clearly correct when it found (R. 87):

"Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis".

This Court Has Already Rejected Aro's Arguments of Misuse and Antitrust Violation

When this case earlier came to this Court, Aro's brief and oral argument were then, as now, devoted in large part to a discussion of alleged misuse and antitrust violation. The Department of Justice, appearing as *amicus,* refused to join in the position taken by Aro. Aro, on its own, nevertheless presented the same antitrust arguments which it now presents (see Brief for Petitioners, No. 21, Oct. T. 1960, pp. 56-69, and 75). This Court then proceeded to rule *against* Aro.

Thus, in its majority opinion, the Court held that patent misuse "is not an issue in this case" (365 U.S. at 344, f.n. 10).[18]

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[18] Aro in effect now argues that misuse, unclean hands, etc., are defenses that need not be pleaded. However, the Patent Act of 1952 requires a defendant to plead these defenses, *General Industries Co.* v. *Birmingham Sound Reproducers* (D.C E.D. N.Y., 1961), 194 F. Supp. 693, 694-5. See Title 35 U.S.C. § 282:

"The following shall be defenses in any action involving the validity or infringement of a patent *and shall be pleaded:*

(1) Noninfringement, absence of liability for infringement, or *unenforceability*" (Emphasis added.)

Since the defense of misuse, etc., must be pleaded, it can be abandoned by failure to pursue it. Moreover, Aro has never filed any supplemental pleading to cover events which allegedly occurred after the original pleading, as required by Rule 15d, F.R.C.P. Hence, most of the allegations in Aro's brief are unsupported by any pleading at all.

Mr. Justice Black, in concurring, noted that since the real issue in this case is one of direct infringement, Aro's talk of misuse was "confusing and beside the point" (365 U.S. at 347).

Mr. Justice Brennan ruled against Aro since "the statutory sanction" in 35 U.S.C. 271(d) contradicted Aro's position; and he stated (365 U.S. at 365, f.n. 9):

> "The legislative history makes it clear that paragraph (d) complements (c) with the view to *avoid the application of the patent misuse doctrine to conduct such as that of the patent owner in the present case*". (Emphasis added.)

Mr. Justice Harlan (joined by Mr. Justices Stewart and Frankfurter) stated that *Mercoid* recognized a misuse under "special circumstances"; but that, as a factual matter, "Those circumstances are not present in this case" (365 U.S. at 378).

It is accordingly submitted that the Court of Appeals' rejection of Aro's misuse and antitrust allegations was in no way inconsistent with this Court's mandate.

Aro's Recitation of the Alleged Misuse Is Misleading

Respondent disagrees with Aro's factual recitation, and with the conclusions of alleged misuse which Aro draws therefrom; and submits that Aro's recitation is misleading. The controlling facts are as discussed in preceding sections of this brief; and demonstrate the total lack of any misuse or antitrust violation on the part of respondent.

In evaluating Aro's present contentions, it is pertinent to note that Aro has, throughout this litigation, been rather loose in its presentation of "facts". The

first trial Court expressly viewed certain of Petitioner's testimony on the stand as "reckless, or worse" (I: 46); noted that then, as now, "there were various matters in defendants' briefs which clearly should not have been there" (I: 47); and that, indeed, Aro was inclined to make "false" and "irresponsible statements" (I: 47). Aro now places further such matters in its brief, and seeks to support further such irresponsible statements by distorting material not even of record.[19]

In the usual antitrust case, a small organization complains that it is being prejudiced by improper competitive activities of a larger, more powerful organization having a dominant position in some particular market. Aro's argument is, however, a strange reversal. Aro argues that respondent is economically weak and has few assets. Little people are evil people, implies Aro. And, little people act in bad faith when they seek royalties from a bigger company, such as Aro, which has substantial assets and a nationwide position in the market.

Aro's brief (pp. 18 and 22, No. 75, Oct. T. 1963) notes that by 1961, after five years of litigation, respondent's assets were depleted; and that respondent had appreciable liabilities "primarily attributable to

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[19] Respondent renews its Motion to Settle the Record, filed July 1963, and printed at Appendix pp. 45-9 hereof; inviting the Court's attention, moreover, to the fact that Aro's brief does not comply with this Court's Rule 40(2):

> "If the reference is to an exhibit, both the page number at which the exhibit appears *and at which it was offered in evidence* must be indicated."

This failure on the part of Aro to comply with the rules is understandable, since much of the material now cited by Aro has never been in evidence.

this patent and this suit" (Aro's brief, p. 22). It is submitted, however, that the depletion of assets as a result of litigation is not an actionable wrong, as suggested by Aro. Moreover, Aro fails to mention that Aro has refused to pay two awards of costs made to respondent on January 8, 1963, and on September 4, 1959, totalling over $1,350.00. Thus, insofar as respondent's finances are stressed by Aro, Aro misleads the Court by failing to note that it has been Aro's activities which have prolonged this litigation to respondent's financial detriment (I: 47); and by ignoring the fact that respondent's finances would be much improved if Aro would merely pay its debts.

Aro repeatedly implies some sort of impropriety revolving about the so-called Ackermans patent, a patent not in suit, (see Aro's brief, pp. 15, 16, 17, 23, 43, 48, and 54). However, Aro fails to mention that Ackermans covers subject matter so different from Mackie-Duluk that by Aro's own admission, either patent "could be practiced without infringement of the other" (R. 11).

Aro further argues some sort of impropriety in the fact that Ackermans and Mackie-Duluk licensees were permitted to pay royalties on the basis of their total top production, "without regard to whether such top is covered by either of said patents" (Aro's brief, p. 17).[20] This ignores that such practice was sanctioned

[20] While the main thrust of Aro's argument is that Respondent's assignor collected royalties on unpatented materials, there is no proof that the royalties were paid for anything outside the scope of one or both patents licensed, or that the royalties collected were outside the sanction of 35 U.S.C. § 271(d). It must be recalled that two patents were involved in the licenses, and no automobile manufacturer ever owned the Ackermans patent.

by this Court, after *Mercoid*, in the case of *Automatic Radio Mfg. Co., Inc.* v. *Hazeltine Research, Inc.*, 339 U.S. 827, 833:

> "The licensing agreement in issue was characterized by the District Court as essentially a grant by Hazeltine to petitioner of a privilege to use any patent or future development of Hazeltine in consideration of the payment of royalties. *Payment for the privilege is required regardless of use of the patents.* The royalty provision of the licensing agreement was sustained by the District Court and the Court of Appeals * * * The Court of Appeals reasoned that since it would not be unlawful to agree to pay a fixed sum for the privilege to use patents, it was not unlawful to provide a variable consideration measured by a percentage of the licensee's sales for the same privilege. 1 Cir., 176 F. 2d at page 804. Numerous District Courts which have had occasion to pass on the question have reached the same result on similar grounds, *and we are of like opinion.*" (Emphasis added.)

Moreover, insofar as Aro argues that the instant case is of major economic significance, and indulges in an elaborate and misleading mathematical computation to support its allegation (Aro's brief, pp. 24-5, 47-8), Aro totally misstates the economic significance of the subject matter here involved by failing to note that there has never been any need for Aro, or anyone else, to market even a single Mackie-Duluk type replacement top. Thus, as found by the District Court (I: 39, f.n. 8):

> "In other words the car owner, and defendants in his stead, did not have to subject themselves to replacement royalties if they did not want to."

Aro's own evidence, in this suit, establishes that Aro could have sold a completely non-infringing top, had it desired to do so, without losing any sales or customers; that no customer would have been deprived of a top and no car forced into disuse by Aro's election not to take a license; and that, indeed, it would have been to Aro's advantage to sell a non-infringing form of top due to the easier and cheaper installation which results (I: 39, f.n. 8).

When certiorari was first granted in this case, Aro sought the assistance of the Department of Justice. Aro's recitation of "facts" fails to note, however, that the Antitrust Division of the Justice Department expressly refused to join Aro in arguing misuse or antitrust violation before this Court. When certiorari was granted the second time, Aro again sought the assistance of the Justice Department; but Justice again refused to join Aro in its allegations. This consistent refusal by the Antitrust Division is believed worthy of some consideration by this Court. At the very least, it demonstrates that the particular Agency of the United States Government most acutely aware of possible antitrust violations found no such violations in this record, or in Aro's recitation.

The Antitrust Award Sought by Aro Is Contrary to the Public Interest and Would Deny Free Access to the Courts

Aro admits that its purpose in seeking an antitrust award in the instant case is to inhibit patentees who might otherwise be inclined to seek judicial enforcement of their patent rights, by making such patent litigation, in the words of *Straus, et al*, v. *Victor Talking Machine, Co., et al*, 297 F. 791, 799, "a dangerous gamble which might subject the loser to heavy dam-

age." Thus, says Aro (Petitioner's Brief, p. 51, No. 75, Oct. T. 1963):

> "If owners of combination patents realize that employing federal courts as an aid for restraining trade in unpatented goods will lead to liability for treble damages, the chances of other owners repeating the illegal activities apparent in this record are greatly reduced."

And, at p. 52 of its brief, Aro continues:

> "If those who would exploit small industries realized that even relatively small-scale violations of the antitrust laws will subject them to treble damages, few would risk such illegal activities."[21]

Congress, in enacting 35 U.S.C. § 271(d), sanctioned the conduct of the patent owner in this case, and stated that such conduct was not to be deemed "misuse or illegal extension of the patent right." The public policy inherent in this statutory enactment corresponds to that earlier noted by Court, in *Virtue* v. *Creamery Package Manufacturing Co.*, 227 U.S. 8; 33 S.Ct. Rep. 202, 208:

> "Patents would be of little value if infringers of them could not be notified of the consequences of infringement, or proceeded against in the

[21] Aro's characterization of itself as a "small industry" is contrary to the record. As found by the trial judge (I: 34): "there has grown up a *sizeable* independent top industry, of which defendants are locally, and perhaps nationally, *leaders*". (Emphasis added.) This Court noted the same thing (*Aro*, at p. 338). Indeed, Aro describes itself, outside of its brief, as the largest convertible top manufacturer *in the world* (II: 470). Moreover, while Aro's brief now urges that the instant litigation is an improper use of the courts, Aro, outside of its brief, urged that other replacement top manufacturers "be vigorously prosecuted for infringement" if they refused a Mackie-Duluk license (II: 474).

courts. Such action, considered by itself, cannot be said to be illegal".

See also, *United States* v. *United Shoe Machinery Corp.*, 110 F.Supp. 295, 333; aff. *per curiam*, 347 U.S. 521 (1954).

The clear public interest is thus *against* the sort of punishment which Aro now seeks to impose on respondent; see *Straus, et al.* v. *Victor Talking Machine Co., et al.*, 297 F. 791, 798 (CA-2, 1924):

> "We think the question goes deeper, and we place our decision on a ground more fundamental. Free access to the courts must neither be denied nor penalized. Of this principle, the case at bar is a perfect illustration. When the suit of Victor v. Straus was brought, the most which can be said against Victor Company is that the questions litigated were debatable. The court of last resort to which an appeal could be taken without permission by way of certiorari had declared in 230 Fed. 449, 144 C.C.A. 591, that Victor Company was right. The Supreme Court on certiorari reversed on the same day upon which it announced repudiation of Henry v. Dick, supra. In such circumstances, to say that a suit brought to determine rights may be a part of a scheme to violate statute law, and, if so, that the suitor may be subject to respond in damages, is to announce that he who seeks the judgment of the courts does so at his peril."

Similar expressions of public policy may be found in *Jacquard Knitting Machine Co. Inc.* v. *Ordnance Gauge Co. Inc., et al.*, 213 F.2d 503, 508 (CA-3, 1954); *International Visible Systems Corp.* v. *Remington-Rand Inc.*, 65 F.2d, 540, 542 (CA-6, 1933); and

Cameron Iron Works Inc. v. *Edward Valves, Inc., et al.*, 175 F.Supp. 423, 426 (D.C. Texas, 1959).

It is accordingly submitted that the Court of Appeals was clearly correct in holding that there "is no merit whatever in [Aro's] appeal" (R. 88).

CONCLUSION

For the foregoing reasons, it is submitted that the decision below is consistent with this Court's mandate, and with precedent. Moreover, the decision below, in all of its aspects, represents a proper expression of the Congressional intent implicit in 35 U.S.C. § 271, and is strongly in the public interest. It should, accordingly, be *affirmed.*

Respectfully submitted,

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Of Counsel

APPENDIX

Office of the Solicitor General
Washington, D. C.

60-358-0

May 15, 1963

Elliott I. Pollock, Esq.
Moore, Hall and Pollock
1200 - 18th Street, N. W.
Washington 6, D. C.

Re: Aro Manufacturing Company, Inc., et al.
v. Convertible Top Replacement Company, Inc. - No. 833, October Term, 1962

Dear Mr. Pollock:

I have delayed my response to your letter of April 4th so that members of the Antitrust Division and of my staff might have an opportunity to study the petition and responding brief in the above-captioned case. It is our considered conclusion that the case, in its present posture, is not one which calls for participation by the government as amicus curiae. The United States did, of course, participate in the predecessor Aro case. That was undertaken because we were convinced that the issue then presented was one which had significant implications from the standpoint of antitrust policy. The present phase of the litigation appears only to involve the application of principles already declared to a particular factual situation; it would not seem to have great moment from the standpoint of any governmental policy.

Although, for the reasons indicated, I must decline your suggestion that the government support the position urged by your client, I appreciate your bringing the matter to my attention.

Sincerely yours,

Archibald Cox

Archibald Cox
Solicitor General

Motion to Settle the Record

Now Comes Respondent, and moves that this Court declare that the following listed items, designated* by Petitioners for printing in the instant matter, do not comprise a portion of the record before this Court; or, in the alternative, moves that the question raised by the instant motion be submitted to the Court of Appeals below for a determination of the record before the Court below; and further moves that the Clerk of this Court be directed not to include the items listed hereinafter, or any of them, in the printed record to be used by this Court in the instant case:

1. Plaintiff's answers to defendants' request for admissions 29 and 33.

2. Defendants' request for admission 58.

3. Defendants' exhibit accompanying request for admission 58, letter dated August 28, 1956, to Howard Zink Corporation from Moore and Hall.

4. Plaintiff's answer to request for admission 58.

5. Plaintiff's Accounting Exhibit 1, stipulation re acquisition of additional patent rights and license agreements with certain sellers of replacement fabrics.

6. Defendants' accounting interrogatories 1-9.

7. Plaintiff's Accounting Exhibit 2, stipulation re testimony of William D. Hall.

8. Plaintiff's answers to defendants' interrogatories 1-9.

9. Defendants' Accounting Exhibit 4-B, release and license agreement between Automobile Body Research

* The material listed comprises portions of Item 1 in "Petitioners' Designation of Record Portions for Printing".

Corporation and Faulkner Manufacturing Company of Massachusetts dated April 1, 1959.

10. Hearings before William R. Hulbert, Special Master:

(a) Plaintiff's opening statement.

(b) Defendants' introduction of certain exhibits.

(c) Plaintiff's cross-examination of Harold Shapiro.

The Facts

Respondent submits the following facts, pursuant to Rule 35(1), Revised Rules of the Supreme Court of the United States, in support of its motion.

One aspect of the instant case was earlier heard and decided by this Court in 1960, No. 21, Oct. T. 1960. In the earlier phase of the case, this Court rendered a decision on February 27, 1961 (reported at 365 U.S. 336), whereafter the case was remanded to the District Court for further proceedings. After such further proceedings, judgment was entered by the District Court on August 29, 1961; and the parties hereto then took appeals to the Court of Appeals for the First Circuit from certain facets of that final judgment. The Court of Appeals rendered a further decision on December 13, 1962; whereafter this Court again granted certiorari, No. 833, Oct. T. 1962.

When the instant case was before this Court in 1960, as No. 21, Oct. T. 1960, a 656 page record was printed by the parties. This Court has already entered an order* permitting use of the earlier printed record in the instant hearing. This earlier printed record is fully available for use by the Court, and provides an adequate basis for a decision in this case; see *"Petition for Writ of Certiorari*

* Order entered April 1, 1963, No. 833, Oct. T. 1962.

for the United States Court of Appeals for the First Circuit and Motion For Leave to Use Record in 365 U.S. 336", Oct. T. 1962, page 1, wherein Petitioners, in moving for leave to use the earlier printed record, stated:

> "The questions presented in the instant petition relate largely to circumstances established by the record in 365 U.S. 336."

Nevertheless, Petitioners have now designated certain additional materials which Petitioners admit were not previously of record; and Petitioners ask that this Court review the latest decision below on the basis of the "supplemented" record. Thus, Petitioners' question 4, *Petition for Writ of Certiorari, etc.*, No. 833, Oct. T. 1962 states, *inter alia*, that the Court of Appeals below erred in ruling against Petitioners

> "'• • • when the record was supplemented by material not in the record on the prior appeal • • •'"

Petitioners' question 7 involves subject matter similar to that contemplated in Petitioners' question 4.

The material listed in the instant motion, which Petitioners admit was "not in the record on the prior appeal", is still not in the record. Thus, listed items 1 through 4, *supra*, involve certain Requests for Admission 29, 33 and 58. This material was never offered in evidence; see Petitioners' complete offer in this respect at R. 263-4*. Listed item 1 through 4 are therefore not part of the record: see *United States* v. *City of Brookhaven, et al*, 134 F. 2d 442, 447 (CA.-5, 1943).

Items 5 through 10(c) listed above, comprise materials involved in an Accounting started in 1959, but never com-

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* The "R." designation refers to the 656 page printed record already accepted for use by this Court in the instant matter.

pleted. The Accounting was being conducted at the Boston offices of a private attorney, W. R. Hulbert, appointed as Special Master by the trial judge. When this Court granted certiorari in No. 21, Oct. T. 1960, the accounting was stayed. The material listed in items 5 through 10(c) was in attorney Hulbert's files at the time of the stay, and continuously remained in his files until March 20, 1962, at which time Attorney Hulbert, considering the incomplete accounting to be moot, delivered his accounting files to the Clerk of the District Court for appropriate disposition. This delivery of Mr. Hulbert's files on March 20, 1962, occurred on a date subsequent to entry of judgment by the District Court and even subsequent to the taking of appeals to the Court of Appeals by the parties hereto.

The accounting material in Mr. Hulbert's files (listed items 5 through 10(c)) was never part of the record presented to the District Court for consideration, and was not even in physical proximity to the trial court during any of its considerations. None of this accounting material is, therefore, of record; and none of it could have been properly transmitted as a part of the record on appeal below; *United States* v. *City of Brookhaven, supra;* see also *Durkin* v. *Lovknit Mfg. Co.*, 208 F. 2d 665, 667 (CA.-5, 1953).

In summary:

(a) There is a 656 page printed record now available for use by this Court.

(b) Petitioners agree that the questions now before the Court relate largely to circumstances established in this 656 page printed record.

(c) Petitioners seek to enlarge this printed record; and have expressly raised the issue of a "supplemented" record in their *Petition*, question 4 (and, by implication, in their question 7).

(d) Petitioners, in presenting the issue of a "supplemented" record, agree (*Petition*, question 4) that the new material was "not in the record on the prior appeal."

(e) The material listed in the instant motion is still not part of the record, was not offered in evidence before the trial court and, in many instances, was not even in the physical possession of the trial court.

For these reasons, it is urged that this Court declare that the listed material is not part of the record in this case; or that, in the alternative, before further proceedings herein, the matter be presented to the Court of Appeals below for a determination of the record upon which its decision below was based.

Respectfully submitted,

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Attorney for Respondent
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FILED
JAN 14 1964
JOHN F. DAVIS, CLERK

No. 75

In the Supreme Court of the United States

OCTOBER TERM, 1963

ARO MANUFACTURING CO., INC., ET AL., PETITIONERS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

REPLY BRIEF FOR THE PETITIONERS

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No. 75

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The respondent's brief (hereinafter cited as Resp. Br.) fails to meet the contentions made in the petitioners' brief (cited as Pet. Br.). In addition, the respondent's brief at a number of places misrepresents the record, petitioners' position, the Government's position, holdings of this Court, and makes incorrect statements unsupported by the record, facts or authorities.

We shall endeavor to deal, as summarily as possible, with some basic errors contained in that brief, and with the specific matters in it which seem in most urgent need of correction.

I. NEITHER THE COURT, THE GOVERNMENT NOR PETITIONERS EVER LENT ANY SUPPORT TO RESPONDENT'S CLAIM TO PATENT MONOPOLY OVER ANY UNPATENTED REPLACEMENT FABRICS FOR FORD CARS.

Respondent falsely asserts that petitioners "accepted . . . that it was liable for at least repairing unlicensed Ford

cars (Resp. Br. 16)" and "Aro nowhere questions its liability for such acts of direct infringement, even now (Resp. Br. 24)." Quite to the contrary petitioners asserted even before trial in their motion to dismiss the complaint on summary judgment that the structures made, sold or installed by petitioners were "unpatented per se (I:24-25)." Respondent does not and cannot point to any portion of the record or our briefs where we conceded liability for making, selling or installing any unpatented replacement fabrics.

Respondent again asserts (Resp. Br. 17) that an often-cited letter dated May 3, 1960 from the Department of Justice represents Government recognition of "the legal distinction between G.M. and Ford cars . . . ." The brief filed by the Government in August 1960 flatly contradicts this assertion where the Government said:

> However, since replacement of the fabric is not direct infringement, petitioners, as supplier of the replacement, cannot be guilty of contributory infringement.[1]

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[1] 365 U.S. 336, Brief for the United States as Amicus Curiae p. 7. The Government also said, "Petitioners contend that the standards of 35 U.S.C. 271(c) are not met in this case, but for reasons set forth in the text we do not believe this question need be reached."

Section 271(a) provides:

"Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent."

Section 271(c) provides:

"Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use *in an infringement of such patent*, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer." (Emphasis added by the Court, 365 U.S. at 341 n.6)

Respondent implies (Resp. Br. 33) that the Government dissociated itself from the antitrust arguments advanced by petitioners. But the Government stressed the antitrust implications of the case.

Respondent omits both "the principal and . . . determinative" question presented and its answer in misconstruing the opinion of the Court as conferring patent monopoly over replacement fabrics for Ford cars (Resp. Br. 17-18).

The Court said:

> The principal, and we think the determinative, question presented here is whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination. 365 U.S. at 338-39.

The Court answered this question by saying:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be. 365 U.S. at 345.

"Although the legal problems are primarily ones of substantive patent law, it has been recognized that they must be resolved in relation to the provisions and policy of the antitrust laws." Brief for the United States, p. 9. "In *Minneapolis-Honeywell, supra* [320 U.S. 680, 684], the Court said: 'The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law'." *Id.* p. 10 n.13.

Respondent falsely states (Resp. Br. 14): "When charged with infringement and contributory infringement by reason of these various activities, Aro solicited advice from their present counsel, who in turn advised that Aro *was* infringing the Mackie-Duluk patent (I:224)." The actual testimony is: "A. Well, upon notification of possible infringement, this letter from Mr. Hall, we called in our attorney, Mr. Wolf, and he thought that there possibly might be some infringement. We asked his advice."

It is impractical for us to point out each and every inaccuracy in respondent's brief, but we believe that we have brought enough of them to the attention of the Court so that the Court may exercise appropriate caution before accepting statements of fact and law in respondent's brief.

The Court explained:

> The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself. Yet this Court has made it clear in the two *Mercoid* cases that there is no legally recognizable or protected "essential" element, "gist" or "heart" of the invention in a combination patent. 365 U.S. at 344-45.

Respondents laudatory comments on the fabric element (Resp. Br. 11-12) are irrelevant.[2] It is ridiculous for respondent to contend that every time the Court, the Government and we talked about unpatented fabrics, the words "only for General Motors cars" are to be implied as a modifier, for the replacement fabrics for Ford cars were just as unpatented as those for General Motors cars.

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[2] Respondent's citation (Resp. Br. 12) of some testimony (I:171-72) of its patent attorney expert Booth (I:153) on cross-examination by Mr. Wolf not only fails to support the allegation that the "fundamental concept lay in a new shape and arrangement of fabric (Resp. Br. 11)" but obscures the fact that Booth's testimony on the preceding page recognized that the very thing which is invented in any combination patent is the combination itself: "XQ. Read the portion that you think recites the essence of this invention, the provision of the seal. A. Well, when you say the portion which recites the essence of the invention, I would have to read the entire claim, Mr. Wolf (I:170)."

In quoting a part of Mr. Wolf's cross-question of respondent's witness Pickard (Resp. Br. 12), respondent misleadingly implies acceptance of Pickard's assertion by Mr. Wolf. Respondent omitted the bracketed words in quoting the question: ". . . [W]ill you agree that, the fundamental concept [that you saw in the G.M.'s '50-'55] was the attachment of the fabric below the body line a sufficient distance to permit raising and lowering the top; is that right (I:398-99)?"

II. THE CONDUCT OF RESPONDENT AND ITS ASSIGNOR IN EXPANDING COMBINATION PATENTS TO CONTROL UNPATENTED REPLACEMENT FABRICS IS WORSE THAN THE CONDUCT CONDEMNED BY THIS COURT IN MERCOID AS PATENT MISUSE AND VIOLATION OF THE ANTITRUST LAWS WHICH CASE RESPONDENT ATTEMPTS TO DISTINGUISH ON THE BASIS OF A SINGLE NONEXISTENT FACTUAL DISTINCTION.

A cursory reading of the questions presented in the Petition (Petition pp. 3-5, Pet. Br. 2-4) reveals the falsity of respondent's assertion (Resp. Br. 13) that "The sole issue now before the Court . . . is one of infringement. . . ." Respondent does make a feeble attempt to distinguish its misuse and antitrust law violations from that condemned in *Mercoid* by arguing that *Mercoid* condemns the licensing of unpatented elements for installation and use in a patented combination only if the licensor itself also sells goods in competition with other sellers of the unpatented elements (Resp. Br. 31-32). Respondent states:

> B. Insofar as Aro contends that there is some sort of *Mercoid* type violation here, the facts in this case clearly distinguished it from *Mercoid*. Respondent's activities have always constituted nothing more than a legitimate effort to license Aro under the patent, and to enforce its patent rights when Aro refused such a license. Respondent has never sold any goods; has never tried to monopolize the sale of any unpatented goods or to "tie" such goods to a patent license; and has taken no action which could possibly be deemed a patent misuse or antitrust law violation under any prior decision of this or any other court (Resp. Br. 9).

In *Mercoid* respondent Mid-Continent Investment Company argued under the heading "Misuse of the Patent and Violation of the Anti-trust Laws":

> Respondent Mid-Continent is not in the business of making or selling either complete heating systems or any of the elements thereof, and therefore is not in competition with anyone else, and from the foregoing it is inconceivable that Mid-Continent is attempting to monopolize in any way an unpatented article beyond the rights granted to it under the patent.[3]

If that non-manufacturing non-selling patent holding company respondent was held to have violated the antitrust laws by deriving its profit from the sales of an unpatented element for original installation in patented combinations made and used without the consent of the patentee, then this respondent shell suing corporation, formed to bring this suit against these petitioners while its assignor derived profits from the sales of an unpatented element for *replacement* installation in patented combinations made and used with the consent of the patentee, surely is guilty of miesuse and violation of the antitrust laws.

Respondent urges that holding its conduct in violation of the antitrust laws "is to deny patentees free access to the Courts, by making patent litigation a dangerous gamble insofar as patentees are concerned (Resp. Br. 9)." This Court and others have recognized the illegality under the antitrust laws of using a federal tribunal as part of a scheme to restrain competition even in patented devices. *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 187-88, 195- 96 (1963); *Clapper* v. *Original Tractor Cab Co.*, 270

[3] Brief of Mid-Continent Investment Co. in Opposition to Petition for Writ of Certiorari, pp. 15-16, *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661 (1944).

F.2d 616 (7th Cir. 1959); *cert. denied*, 361 U.S. 967 (1960); *Kobe, Inc.* v. *Dempsey Pump Co.*, 198 F.2d 416, 424-26 (10th Cir.), *cert. denied*, 344 U.S. 837 (1952). In the latter case the Tenth Circuit Court of Appeals answered respondent's contention by saying:

> We fully recognize that free and unrestricted access to the courts should not be denied or imperiled in any manner. At the same time we must not permit the courts to be a vehicle for maintaining and carrying out an unlawful monopoly which has for its purpose the elimination and prevention of competition. 198 F.2d at 424.

Respondent argues that the Court condoned in *Automatic Radio* the licensing scheme of respondent's assignor requiring a "licensee" to pay a royalty on the sale of unpatented replacement fabrics (Resp. Br. 36-37). But in *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U.S. 827, 834 (1950) the Court held

> that in licensing the use of patents to one engaged in a related enterprise, it is not *per se* a misuse of patents to measure the consideration by a percentage of the licensee's sales.

The Court expressly said, "We are not unmindful that convenience cannot justify an extension of the monopoly of the patent. [citing *Mercoid* and *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495]" *Ibid.*

There the licensor licensed patented radio broadcasting apparatus. Here respondent's assignor licenses unpatented replacement fabrics. Nothing in *Automatic Radio* condones this illegal expansion of combination patents enabling the patentee to derive additional profits from the sale of re-

placements for a spent unpatented element of the patented combination.

III. SINCE THE INTERLOCUTORY JUDGMENT REVERSED BY THIS COURT DEALT ONLY WITH PATENT INFRINGEMENT AND COULD NOT HAVE DISPOSED OF THE ANTITRUST LAW VIOLATIONS ARISING FROM RESTRAINING TRADE IN UNPATENTED FABRICS, THERE IS NO MERIT IN RESPONDENT'S CONTENTION THAT THE COURT HAS ALREADY REJECTED PETITIONERS' REQUEST TO BE RELIEVED FROM THE CONSEQUENCES OF THESE ANTITRUST LAW VIOLATIONS.

There is nothing in the interlocutory judgment (I 42-44) previously reviewed and reversed by this Court which even purports to dispose of petitioners' right to be relieved from the consequences of respondent's antitrust law violations. An interlocutory judgment concerning antitrust law violation is not subject to review by an appellate court. In re *Narragansett Pier Amusement Corp.*, 224 F.2d 231 (1st Cir.), *cert. denied*, 350 U.S. 862 (1955); *Michael Rose Productions, Inc.* v. *Loews, Inc.*, 246 F.2d 605 (2d Cir. 1957); *Cf.. United States* v. *FMC Corp.*, 11 L. Ed. 2d 20, 23 (1963) (opinion in chambers of MR. JUSTICE GOLDBERG). Petitioners' counterclaim for relief from the consequences of respondent's antitrust law violations is a separate and independent cause of action. *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661, 671 (1944). Respondent's assertion (Resp. Br. 33) that the Court rejected our arguments concerning antitrust law violations is without substance.

IV. SECTION 271(D) DOES NOT EXCUSE THE MISUSE AND ANTITRUST VIOLATIONS OF RESPONDENT AND ITS ASSIGNOR IN MANIPULATING COMBINATION PATENTS TO RESTRAIN TRADE IN UNPATENTED REPLACEMENT FABRICS BECAUSE THOSE PROVISIONS ONLY PROVIDE THAT ONE WHO DOES WHAT IS AUTHORIZED BY STATUTE IS NOT GUILTY OF MISUSE.

Without showing how the language of 35 U.S.C. § 271(d) sanctions extending combination patents to embrace unpatented replacement fabrics or citing any legislative history, respondent asserts, "Congress, in enacting 35 U.S.C. § 271(d), sanctioned the conduct of the patent owner in this case, and stated that such conduct was not to be deemed 'misuse or illegal extention of the patent right.' (Resp. Br. 39)" the statutory language itself and the legislative history refute this contention.

The statutory provisions state what has always been the law. If the only thing the patentee has done is "derived revenue . . . licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent . . ." or "sought to enforce his patent rights against infringement or contributory infringement" and is "otherwise entitled to relief for infringement or contributory infringement", the patentee shall not "be denied relief or deemed guilty of misuse or illegal extension of the patent right." This paragraph "provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent."[4] Section 271 neither amends nor refers to the

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[4] H.R. Rep. No. 1923 on H.R. 7794, 82d Cong., 2d Sess. 9 (1952). Additional legislative history is in our brief in No. 21, O.T. 1960. Brief for the Petitioners, pp. 60-61, *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336 (1961). The Seventh Circuit Court of Appeals relied on *Aro* in rejecting an argument much like that advanced by respondent here. *Switzer Bros., Inc.* v. *Locklin*, 297 F.2d 39, 46 (7th Cir. 1961), *cert. denied*, 369 U.S. 851 (1962).

antitrust laws; hence, paragraph (d) creates no antitrust exemptions. Conduct, such as that condemned in the *Mercoid* cases, which prior to the enactment of Section 271 in 1952 violated the antitrust laws, still violates the antitrust laws.[5]

The fundamental points made by *Mercoid* and *Aro* are that one does not infringe a combination patent by the installation and use of one of the unpatented elements;[6] therefore, the seller of that unpatented element cannot be amerced as a contributory infringer. Since that unpatented element can be sold without the consent of the patentee, nothing in paragraph (d) absolves the patentee from misuse when he licenses and derives additional profits from the sale of the unpatented elements and seeks the aid of federal courts in reserving a monopoly in these unpatented replacement fabrics for the licensees of respondent's assignor, a monopoly very close to that condemned in *Mercoid* as a violation of the antitrust laws.

Respondent's contention (Resp. Br. 27-28) that there is no constitutional "requirement that claims be used, at all, to measure patent protection" is irrelevant because Congress has decided that the claims measure the scope

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[5] NORDHAUS & JUROW, PATENT-ANTITRUST LAW 245 (1961).

[6] "The present case, therefore, narrows down to this and no more: Is the making or the use of a new piece of fabric to replace the worn-out fabric cover of an automobile top attached to an automobile that the owner has bought and paid for as his own an infringement of a patent on that top?" *Aro*, 365 U.S. at 350 concurring opinion of MR. JUSTICE BLACK).

"The plaintiff further argues that the defendant had pirated the "heart" of its patent, i.e., the screw-jack and piercing pin idea. We can only answer, 'that there is no legally recognizable or protected "essential" element, "gist" or "heart" of the invention in a combination patent.' Aro Mfg. Co. v. Convertible Top Replacement Co., 1961, 365 U.S. 336, 345 . . . ." *Entron of Maryland, Inc.* v. *Jerrold Electronics Corp.*, 295 F.2d 670, 677 (4th Cir. 1961).

of the patent grant.[7] The contributory infringement provisions do nothing more than secure the patent holder's rights in attempts to impair a legitimate patent monopoly by selling the principal components for the purpose of assembling new units of the combination.[8]

Respondent cites a dozen lower court decisions (Resp. Br. 22) allegedly in support of its claim to monopoly rights over unpatented replacement fabrics sold to "repair" Ford cars made, used and sold with the consent of respondent's assignor (II: 510-11). The only two of these cases that were decided after *Mercoid* did not cite *Mercoid* and did not deal with a claim of a combination patentee to patent monopoly over replacements for a spent unpatented element of the patented combination.

Nothing in *Union Tool Co.* v. *Wilson*, 259 U.S. 107 (Resp. Br. 21) grants a combination patentee additional monopoly rights over replacements for an unpatented element. That case held that an infringer of a patent on a machine violated an injunction forbidding "the manufacture and sale, not

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[7] The very condition upon which a patent is issued is that the "specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." 35 U.S.C. § 112 (1958). Compare this condition with the statutory requirement in 1944 when *Mercoid* was decided requiring that the applicant "shall particularly point out and distinctly claim, the part, improvement, or combination which he claims as his invention or discovery." Revised Statutes, Section 4888, 35 U.S.C. 33. As the Court said in *General Electric Co.* v. *Wabash Co.*, 304 U.S. 364, 369 (1937), the patent must precisely define the bounds of the grant "to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights." Only through such sharp definition "may it be known which features may be safely used or manufactured without a license and which may not." (footnotes omitted)

[8] See *Wallace* v. *Holmes*, 29 Fed. Cas. 74 (No. 17100) (C.C.D. Conn. 1871) and our explanation of why we believe Congress codified the holding of this case and *Amalgamated Dental* (Pet. Br. 35 n.24) as the law of contributory infringement. Reply Brief for Petitioners, pp. 5-6; *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336 (No. 21 O.T. 1960).

only of infringing machines, but also of parts or elements that might be used in combination to effect infringement", 259 U.S. at 108, when he sold spare parts "of such a nature that when used in combination they would effect an in-infringement." 259 U.S. at 109. Nothing in that opinion by Mr. Justice Brandeis remotely suggests approval of an expansion of the combination patent monopoly to restrain trade in an unpatented element of the patented combination. And his opinion nine years later in *Carbice Corp.* v. *American Patents Dev. Corp.*, 283 U.S. 27 (1931) expressly condemns such an illegal expansion of the combination patent monopoly. If respondent is unable to find authority forbidding a patentee from deriving additional profits from the sale of unpatented replacement elements (Resp. Br. 22), it should take note that the Second Circuit Court of Appeals followed the decision of this Court in this case in an opinion by Circuit Judge Moore rejecting contentions much like theose advanced by respondent here. *Farrand Optical Co., Inc.* v. *United States*, 139 U.S.P.Q. 249, 254-55 (2d Cir. 1963).

V. RESPONDENT'S CLAIM TO MORE THAN $1,000 IN COSTS ALLEGED TO HAVE ARISEN FROM THE 1959 APPEAL IN THE COURT OF APPEALS WAS EXPRESSLY REJECTED BY THE COURT OF APPEALS IN 1963.

Respondent falsely represents that it has received awards of costs of over $1,350 owed to it by petitioners (Resp. Br. 36). In the Taxation of Costs of $189.50 dated January 8, 1963 for insertion into the mandate when and if handed down, the First Circuit Court of Appeals Clerk said:

> After plaintiff filed its verified bill of costs herein, a proposal of taxation in the amount of $189.50 was

made on December 27, 1962. Thereafter, plaintiff [respondent] filed a "Memorandum in Opposition to Proposed Taxation of Costs", captioned in these cross-appeals, seeking inclusion in the current taxation of $1,161.40 which would have been the total amount of costs recoverable by plaintiff upon the prior appeal numbered 5488, if it had been fully successful therein on review. Such argument concerning retrospective costs in a prior case goes beyond the power of the Clerk to tax costs in these cross-appeals under the Rules; it goes to the discretionary power of the Court to allow such costs.

On December 27, 1962 the Court of Appeals ordered its mandate stayed pending our filing of a Petition for Certiorari in this Court and is still withholding its mandate. On February 15, 1963 we filed our Petition for Certiorari. Three days later on February 18, 1963 respondent filed a motion in the Court of Appeals asking that court to direct the Clerk to tax the retrospective costs of $1,161.40 on the prior appeal. On February 20, 1963 we filed a memorandum in opposition. On March 7, 1963 the Court of Appeals denied respondent's motion for increased taxation of costs. None of this material is in the record because the record accompanying the petition was certified by the Clerk of the Court of Appeals up to and including December 26, 1962.

Conclusion

The judgment of the Court of Appeals should be reversed with instructions to reinstate the judgment of the District Court insofar as it holds the patent not infringed or contributorily infringed without a finding on validity and order the District Court to award petitioners treble dam-

ages and counsel fees for respondent's violation of the antitrust laws.

Respectfully submitted,

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JANUARY 1964.